

ORIGINAL

-Application

Christian Care

center of

Bristol, LLC

CN1404-012

APR 15 '14 PM 12:23

SunTrust Plaza
401 Commerce Street
Suite 800
Nashville, TN 37219
(615) 782-2200
(615) 782-2371 Fax
www.stites.com

April 15, 2014

Jerry W. Taylor
(615) 782-2228
(615) 742-0703 FAX
jerry.taylor@stites.com

Melanie M. Hill
Executive Director
Tennessee Health Services and Development Agency
Andrew Jackson Building, Ninth Floor
502 Deaderick Street
Nashville, TN 37243

RE: Christian Care Center of Bristol, LLC
Request for Consent Calendar

Dear Ms. Hill:

I have today filed a certificate of need application on behalf of Christian Care Center of Bristol, LLC ("CCCB"). The application seeks approval for a replacement facility and the relocation of 120 currently licensed nursing home beds to the replacement facility.

CCCB respectfully requests Consent Calendar consideration of this application. CCCB submits this application appears to meet all applicable criteria for approval for the following reasons, among others as demonstrated in the application:

Need: This is a relocation of beds, and no newly licensed beds are sought. CCCB acquired operational rights and became the licensee of the facility formerly known as Bristol Nursing Home ("BNH") effective October 1, 2013. The site for the replacement facility is in the same county (Sullivan) as the current facility, and is approximately 8 miles from the current location.

The current building where the beds are located is approximately 50 years old, and in dire need of total replacement. All major structures and all internal fixtures and systems are antiquated, past their useful lives and in need of replacement. The replacement facility will definitely be an improvement in patient safety and comfort. In addition, the replacement facility will include 36 private rooms, whereas the current facility has all semi-private rooms. A total renovation of the current building is not desirable or feasible. Among other issues, due to size constraints the existing facility could not meet current building codes and licensure standards in the event of a major renovation.

The former BNH facility averaged 85% occupancy from 2010-2012. The bed need formula as calculated by the Department of Health indicates a net need for an additional 577 beds in 2016, taking into account all licensed beds, (including the 120 former BNH beds), as well as

Melanie M. Hill
April 15, 2014
Page 2

30 outstanding CON beds. There is clearly an existing need and future need for these currently licensed beds, especially when located in a new replacement facility.

Economic Feasibility: The estimated project costs are reasonable. The estimated construction costs are between the median and the 3rd quartile of the average cost per square foot for new nursing home construction approved by HSDA 2010-2012. CCCB has funding letters for the construction and start-up costs, as well as a \$1 million line of credit for working capital, should that be needed. After a relatively small operating loss in Year 1, the nursing home will generate a strong positive operating margin in Year 2 and thereafter.

Orderly Development: Since this is a relocation of existing licensed beds and not new beds, this project should not have a significant adverse impact on other existing providers. The average county-wide occupancy rate for nursing home beds in Sullivan County (including these 120 beds) from 2010-2012 was 89%. This demonstrates there is strong demand for nursing home beds in the service area, with these 120 beds in the market, and existing providers' utilization should not be significantly impacted. The new site is further away from any existing nursing home (6.5 miles) than is the current location (3.0 miles).

Additional details and documentation of all of the above considerations, and others, can be found in the application. Please let me know if additional information is needed. Thank you for your consideration of this request.

Sincerely yours,

STITES & HARBISON PLLC



Jerry W. Taylor

67930

STITES & HARBISON, PLLC
TRUST ACCOUNT
 SUITE 800
 401 COMMERCE STREET
 NASHVILLE, TN 37219

SUNTRUST BANK, NASHVILLE, N.A.
 NASHVILLE, TENNESSEE
 87-4/640

*** Twenty Six Thousand Eight Hundred Thirty Five dollars and Fifty Five cents
 PAY TO THE ORDER OF
 TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY



STATE OF TENNESSEE
 Health Services and Dev Agency
 Office 31607001
 4/15/2014 12:33 PM

Cashier: annir0811001
 Batch #: 616680
 Trans #: 4
 Workstation: AF0719WP45

CON Filing Fees	
Receipt #:	12080875
HA01 CON Filing Fees	\$26,835.55
Payment Total:	\$26,835.55
Transaction Total:	\$26,835.55
Check 21	\$26,835.55

Thank you for your payment.
 Have a nice day!

CN1404-012

DATE	04/15/14
AMOUNT	26835.55

Receipt #: 12080875
 PAID: 4/15/2014
 Batch #: 616680
 Trans #: 4
 HA01 CON Filing Fees \$26,835.55
 Check 21 \$26,835.55

THANK YOU FOR YOUR PAYMENT

STITES & HARBISON, PLLC
 401 COMMERCE STREET
 NASHVILLE, TN 37219

⑈067930⑈ ⑆064000046⑆ 7021495051⑈

APR 15 14 PM 12:31

CERTIFICATE OF NEED APPLICATION

FOR

CHRISTIAN CARE CENTER OF BRISTOL

**Construction of a Replacement Facility and the
Relocation of 120 Licensed Nursing Home Beds**

Sullivan County, Tennessee

April 15, 2014

Contact Person:

**Jerry W. Taylor, Esq.
Stites & Harbison, PLLC
401 Commerce Street, Suite 800
Nashville, Tennessee 37219
615-782-2228**

SECTION A:**APPLICANT PROFILE****1. Name of Facility, Agency, or Institution**

Christian Care Center of Bristol

Name

2830 Highway 394

Street or Route

Bristol

City

TN

State

Sullivan

County

37620

Zip Code**2. Contact Person Available for Responses to Questions**

Jerry W. Taylor

Name

Stites & Harbison, PLLC

Company Name

401 Commerce Street, Suite 800

Street or Route

Nashville

City

TN

State

Attorney

Association with Owner

615-782-2228

Phone Number

Attorney

Title

jerry.taylor@stites.com

Email address

37219

Zip Code

615-742-0302

Fax Number**3. Owner of the Facility, Agency or Institution**

Christian Care Center of Bristol, LLC

Name

2020 Northpark, Suite 2D

Street or Route

Johnson City

City

TN

State

423-975-5455 x 307

Phone Number

Sullivan

County

37604

Zip Code**4. Type of Ownership of Control (Check One)**

A. Sole Proprietorship

B. Partnership

C. Limited Partnership

D. Corporation (For Profit)

E. Corporation (Not-for-Profit)

F. Government (State of TN or

G. Political Subdivision)

H. Joint Venture

I. Limited Liability Company

Other (Specify) _____

X

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**Organizational documentation is attached as Attachment A, 4.

5. **Name of Management/Operating Entity (If Applicable)**

Care Centers Management Consulting, Inc.

Name

2020 Northpark, Suite 2D

Street or Route

Johnson City

City

TN

State

Washington

County

37604

Zip Code

**PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

Christian Care Center of Bristol, LLC will enter into a Management Consulting and Services Agreement with Care Centers Management Consulting, Inc. A copy of a draft agreement is attached as Attachment A, 5. Under the Agreement, CCCB is solely responsible for operations and patient care provided at the facility.

6. **Legal Interest in the Site of the Institution (Check One)**

A. Ownership

D. Option to Lease

B. Option to Purchase

E. Other (Specify) _____

C. Lease of 15 Years

X

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

A copy of the Contract to Purchase Real Estate with Bristol Real Estate Investors, LLC ("BREI") as Buyer, and a copy of the Lease from BREI to Christian Care Center of Bristol, LLC are attached as Attachment A, 6.

7. **Type of Institution (Check as appropriate--more than one response may apply)**

A. Hospital (Specify) _____

I. Nursing Home

X

B. Ambulatory Surgical
Treatment Center (ASTC),
Multi-Specialty

J. Outpatient Diagnostic Center

K. Recuperation Center

L. Rehabilitation Facility

C. ASTC, Single Specialty

M. Residential Hospice

D. Home Health Agency

N. Non-Residential Methadone
Facility

E. Hospice

O. Birthing Center

F. Mental Health Hospital

P. Other Outpatient Facility
(Specify) _____

G. Mental Health Residential
Treatment Facility

Q. Other (Specify) _____

H. Mental Retardation
Institutional Habilitation
Facility (ICF/MR)

8. Purpose of Review (Check) as appropriate--more than one response may apply)

- | | | | |
|-----------------------------------|---|------------------------------------|---|
| A. New Institution | | G. Change in Bed Complement | |
| B. Replacement/Existing Facility | X | [Please note the type of change by | |
| C. Modification/Existing Facility | | underlining the appropriate | |
| D. Initiation of Health Care | | response: Increase, Decrease, | |
| Service as defined in TCA § | | Designation, Distribution, | |
| 68-11-1607(4) | | Conversion, Relocation] | |
| (Specify) _____ | | H. Change of Location | X |
| E. Discontinuance of OB Services | | I. Other (Specify) _____ | |
| F. Acquisition of Equipment | | _____ | |

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

9. **Bed Complement Data** *(Please see the explanatory note immediately following this chart)
Please indicate current and proposed distribution and certification of facility beds.

	<u>Current Beds Licensed</u>	<u>*CON</u>	<u>Staffed Beds</u>	<u>Beds Proposed</u>	<u>TOTAL Beds at Completion</u>
A. Medical					
B. Surgical					
C. Long-Term Care Hospital					
D. Obstetrical					
E. ICU/CCU					
F. Neonatal					
G. Pediatric					
H. Adult Psychiatric					
I. Geriatric Psychiatric					
J. Child/Adolescent Psychiatric					
K. Rehabilitation					
L. Nursing Facility (non-Medicaid Certified)	120	0	0	0	0
M. Nursing Facility Level 1 (Medicaid only)					
N. Nursing Facility Level 2 (Medicare only)					
O. Nursing Facility Level 2 (dually certified Medicaid/Medicare)	0	0	0	120	120
P. ICF/MR					
Q. Adult Chemical Dependency					
R. Child and Adolescent Chemical Dependency					
S. Swing Beds					
T. Mental Health Residential Treatment					
U. Residential Hospice					
TOTAL	120	0	120	120	120

All beds are currently in Inactive Status as approved by the Board for Licensing Healthcare Facilities on September 11, 2013. The Inactive Status is effective until September 11, 2015 unless subsequently extended by the BLHCF. A copy of the approval letter from the BLHCF is attached as Attachment A.
 9. Medicare and Medicaid certification of the facility was terminated by CMS when the facility was under prior ownership. The facility operations were acquired by and licensed to Christian Care Center of Bristol, LLC effective October 1, 2013. CCCB has never operated the nursing home at its current site. CCCB will seek Medicare and Medicaid certification upon licensure of the replacement facility, and all 120 beds will be dually certified. This application does not add any new licensed beds.

10. Medicare Provider Number: To be applied for
Certification Type: Skilled Nursing Facility

11. Medicaid Provider Number: To be applied for
Certification Type: Skilled Nursing Facility

12. If this is a new facility, will certification be sought for Medicare and/or Medicaid?

This is a replacement facility. Medicare and Medicaid certification will be sought. Please see the explanatory note immediately following the Bed Complement Data Chart.

13. Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area.

UnitedHealthcare Community Plan

BlueCare

TennCare Select

Will this project involve the treatment of TennCare participants?

Yes

If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract.

CCCB will negotiate with all TennCare plans in the region to reach mutually agreeable provider agreements.

Discuss any out-of-network relationships in place with MCOs/BHOs in the area.

N/A.

NOTE: *Section B* is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project. *Section C* addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care. Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.

SECTION B: PROJECT DESCRIPTION

Please answer all questions on 8 1/2" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the questions(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

- I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.**

Project Description

The applicant, Christian Care Center of Bristol ("CCCB") acquired operations of a 120 bed nursing home located in Bristol, Sullivan County formerly known as Bristol Nursing Home ("BNH"), and became the licensee thereof effective October 1, 2013. The license was placed in Inactive Status as approved by the Tennessee Board for Licensing Healthcare Facilities ("BLHCF") effective September 11, 2013. The Inactive Status is effective through September 11, 2015, unless subsequently extended by BLHCF.

The applicant seeks authorization for a replacement facility, which will be constructed by a company under identical ownership with CCCB, which facility will be leased to CCCB, on a site located approximately 8 miles from the current site, also in Bristol, Sullivan County, and to relocate all 120 beds to the new replacement facility. Upon licensure the beds will be placed back into operation and the nursing home will operate under the current name Christian Care Center of Bristol. The facility will participate in the Medicare and Medicaid programs, and the beds will be dually certified.

Services & Equipment

There will be no change in services to those for which the nursing home is currently licensed to provide. Both skilled and intermediate level nursing services, as well as therapy services, will be provided at CCCB. All necessary and routine medical equipment will be acquired and utilized at the new replacement facility. No major equipment is involved in this project.

Ownership Structure

The owner of CCCB is Christian Care Center of Bristol, LLC, a Tennessee limited liability company (the "Company"). The Company is owned by two individual members: J.R. Lewis holds 60% ownership interest, and Grant T. Miller holds 40% ownership interest. Both J.R. Lewis and Grant T. Miller have substantial background and experience in owning and operating nursing homes in Tennessee. They jointly own 3 nursing homes in Tennessee, and Mr. Lewis

has majority or close to majority ownership interests in 9 nursing homes, including CCCB, in Tennessee.

Service Area

For purposes of this application the service area is Sullivan County. In 2011 (the last year for which BNH filed a Joint Annual Report), 88% of the Tennessee residents served at BNH were residents of Sullivan County.

Need

The approval of this project will not add any newly licensed nursing home beds; it is a relocation of existing, licensed beds.

The existing nursing home beds and facilities in Sullivan County have experienced consistently healthy utilization over the past 3 years. The county-wide average annual occupancy rates are as follows:

<u>Year</u>	<u>Average Occupancy</u>
2012:	88%
2011:	90%
2010:	88%

The 3 year county-wide average occupancy rate including the 120 beds being relocated is 89%. This is very healthy utilization and demonstrates there is a sustained strong demand for nursing home care in the service area.

The average annual occupancy rates for Bristol Nursing Home were 82% in 2010, 82% in 2011, and 92% in 2012. This is a 3 year average of 85% occupancy. The 85% 3 year average occupancy rate at the old BNH facility was very healthy, considering the age and general condition of the facility, and its location. There is clearly an adequate existing demand for these licensed beds to be put into operation at a new replacement facility.

In addition, according to the calculations of the Department of Health, there will be a need for 1,602 nursing home beds in Sullivan County in 2016. According to the Department of Health website there are currently 995 licensed nursing home beds in Sullivan County, and there are an additional 30 CON approved beds, for a total possible inventory of 1,025 beds (including the 120 CCCB beds). This results in there being a net need for an additional 577 beds for Sullivan County in 2016.

Existing Resources

There are 8 nursing homes in Sullivan County, including CCCB (f/k/a Bristol Nursing Home). There is an unimplemented CON held by NHC at Indian Path, LLC (CN1212-059) to re-locate 22 beds at the Indian Path Transitional Care Unit to a different site, and to add 30 skilled nursing beds.

The existing nursing home beds and facilities in Sullivan County have experienced consistently healthy utilization over the past 3 years. The county-wide average annual occupancy rate was

89% between 2010-2012 (see discussion in the immediately preceding response).

According to the Department of Health calculations, there is a need for an additional 577 nursing home beds in Sullivan County for the year 2016. This is in addition to the 120 beds already licensed to CCCB, and the 30 outstanding CON approved beds.

Project Cost & Funding

The estimated project cost is \$11,926,911, exclusive of the filing fee. The largest single cost component is the estimated construction costs of \$8,964,440. For the 52,732 square foot facility, this equates to an average cost per square foot of \$170.00. This cost per square foot is slightly above the median cost for new nursing home construction approved by the HSDA for similar projects between 2010-2012, but is below that of the 3rd Quartile of such approved costs.

The project will be funded through a commercial loan. Documentation of access to funding is provided at the appropriate portion of the application.

Financial Feasibility

The project is financially feasible. CCCB will experience a modest negative net operating revenue in Year 1, and will produce a comfortable positive net operating income in Year 2. If additional working capital is needed in Year 1, the applicant will have a \$1 million line of credit it can draw upon. Documentation of access to such working capital is provided at the appropriate portion of the application. Achieving a comfortable operating gain after only one year of operation at a modest loss demonstrates the project is financially feasible.

Staffing

The applicant anticipates hiring approximately 60 FTE nursing, aide, and ancillary healthcare positions to staff the replacement facility. The applicant does not anticipate difficulty in filling the needed positions. The owners of CCCB, being experienced in the operations of nursing homes in Tennessee, are familiar with licensure standards and best practices relating to staffing, and will meet or exceed the same.

II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.

- A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of \$5 million) and other facility projects (construction cost in excess of \$2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this**

project.

If the project involves none of the above, describe the development of the proposal.

The site will be purchased and the building will be constructed by Bristol Real Estate Investors, LLC ("BREI"). The ownership of BREI is the same as that of the applicant: 60% is held by J.R. Lewis and 40% is held by Grant T. Miller. BREI will enter into a long term lease agreement with the applicant, Christian Care Center of Bristol, LLC ("CCCB"). CCCB will be the operator and the licensee of the facility.

The facility to be constructed will be a single story building consisting of approximately 52,732 square feet. It will have 36 private beds and 84 semi-private beds. It will include therapy space consisting of approximately 1,435 square feet. It will have ample ancillary space such as dining, activities areas, and informal family visitation and relaxation areas.

The estimated cost of construction is \$8,964,440.00, or an average cost per square foot of \$170.00. A completed Square Footage and Cost per Square Footage Chart is attached following this response.

The site is located on approximately 5 acres of land fronting State Route 394 near the intersection of Feathers Chapel Road within the city limits of Bristol, Tennessee.

B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.

This project involves the relocation of 120 licensed nursing home beds. The reason for the relocation is the need for a replacement facility, due to the age and general condition of the existing facility. The existing facility is approximately 50 years old with all semi-private resident rooms, and although no specific cost estimates of a total renovation the facility have been sought or received, such an alternative is clearly not desirable and not the most feasible option. In addition, the existing facility is located on the border of Tennessee and Virginia, with about half of the building in each state. Over the years, this has caused the building to be licensed as two separate nursing homes – one licensed by Tennessee and one by Virginia. This has caused a number of administrative, operational, and regulatory challenges. The operations of the nursing home in the Virginia side of the facility have likewise been acquired by an different company, and it is also seeking approval in Virginia to relocate those beds to a replacement facility.

All 120 beds (of the Tennessee facility, f/k/a Bristol Nursing Home) are currently in Inactive Status as approved by the Board for Licensing Healthcare Facilities on September 11, 2013. The Inactive Status is effective until September 11, 2015 unless subsequently extended by the BLHCF. A copy of the approval letter from the BLHCF is attached as Attachment A, 9. Medicare and Medicaid certification of the facility was terminated by CMS when the facility was under prior ownership. The facility operations were acquired by and licensed to Christian Care Center of Bristol, LLC effective October 1, 2013. CCCB has never operated the nursing home at its current site. CCCB will seek Medicare and Medicaid certification upon licensure of the replacement facility and all 120 beds will be dually certified. This application does not add any new licensed beds.

C. As the applicant, describe your need to provide the following health care services (if applicable to this application):

N/A. No new beds or new services are being proposed.

- 1. Adult Psychiatric Services**
- 2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days)**
- 3. Birthing Center**
- 4. Burn Units**
- 5. Cardiac Catheterization Services**
- 6. Child and Adolescent Psychiatric Services**
- 7. Extracorporeal Lithotripsy**
- 8. Home Health Services**
- 9. Hospice Services**
- 10. Residential Hospice**
- 11. ICF/MR Services**
- 12. Long-term Care Services**
- 13. Magnetic Resonance Imaging (MRI)**
- 14. Mental Health Residential Treatment**
- 15. Neonatal Intensive Care Unit**
- 16. Non-Residential Methadone Treatment Centers**
- 17. Open Heart Surgery**
- 18. Positron Emission Tomography**
- 19. Radiation Therapy/Linear Accelerator**
- 20. Rehabilitation Services**
- 21. Swing Beds**

D. Describe the need to change location or replace an existing facility.

This project involves the relocation of 120 licensed nursing home beds, and the construction of a replacement facility. The relocation and replacement facility are needed due to the age and general condition of the existing facility. The existing facility is approximately 50 years old with all semi-private resident rooms, and virtually every major system, as well as the structure, are outdated and in need of replacement. Although no specific cost estimates of a total renovation of the facility have been sought or received, such an alternative is clearly not desirable or the most feasible option. In addition, the existing facility is located on the border of Tennessee and Virginia, with about half of the building in each state. Over the years, this has caused the building to be licensed as two separate nursing homes – one licensed by Tennessee and one by Virginia. This has caused a number of administrative, operational and regulatory challenges. The operations of the nursing home in the Virginia side of the facility have likewise been acquired by an different company, and it is also seeking approval in Virginia to relocate those beds to a replacement facility.

E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of \$1.5 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following: N/A. No major medical equipment is involved in this project.

- 1. For fixed-site major medical equipment (not replacing existing equipment):**
 - a. Describe the new equipment, including:**

1. Total cost ;(As defined by Agency Rule).
 2. Expected useful life;
 3. List of clinical applications to be provided; and
 4. Documentation of FDA approval.
- b. Provide current and proposed schedules of operations.
2. For mobile major medical equipment:
 - a. List all sites that will be served;
 - b. Provide current and/or proposed schedule of operations;
 - c. Provide the lease or contract cost.
 - d. Provide the fair market value of the equipment; and
 - e. List the owner for the equipment.
 3. Indicate applicant's legal interest in equipment (*i.e.*, purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

III. (A) Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which must include:

1. Size of site (*in acres*);
2. Location of structure on the site; and
3. Location of the proposed construction.
4. Names of streets, roads or highway that cross or border the site.

Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.

A plot plan of the site is attached as Attachment B, III, (A).

(B)

1. Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

The site is located on State Route 394, a major 4 lane thoroughfare, within the city limits of Bristol, Tennessee. The site is not on a public transportation route, but is easily accessible to patients and their families.

- IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper.**

NOTE: DO NOT SUBMIT BLUEPRINTS. Simple line drawings should be submitted and need not be drawn to scale.

A floor plan for the proposed facility is attached as Attachment B, IV. In order to improve legibility, there are 6 break-out sections of the floor plan, with match-up guide lines. Please note sections B|C get overlaid twice (making three overlapping layers).

- V. For a Home Health Agency or Hospice, identify:**

N/A.

- 1. Existing service area by County;**
- 2. Proposed service area by County;**
- 3. A parent or primary service provider;**
- 4. Existing branches; and**
- 5. Proposed branches.**

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with Tennessee Code Annotated § 68-11-1609(b), “no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care.” The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. *Please type each question and its response on an 8 1/2” x 11” white paper.* All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate “Not Applicable (NA).”

QUESTIONS

I. NEED

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee’s Health: Guidelines for Growth.
 - a. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.

Five Principles for Achieving Better Health from the Tennessee State Health Plan:

1. Healthy Lives

The purpose of the State Health Plan is to improve the health of Tennesseans. Every person’s health is the result of the interaction of individual behaviors, society, the environment, economic factors, and our genetic endowment. The State Health Plan serves to facilitate the collaboration of organizations and their ideas to help address health at these many levels.

This is a policy statement, to which no response is necessary.

2. Access to Care

Every citizen should have reasonable access to health care. Many elements impact one's access to health care, including existing health status, employment, income, geography, and culture. The State Health Plan can provide standards for reasonable access, offer policy direction to improve access, and serve a coordinating role to expand health care access.

The age and seriously deteriorated condition of the existing facility caused it to be a less than appropriate facility for the residents, which created a barrier to patients and their families of appropriate nursing home accommodations. The new facility will be much more attractive and comfortable for residents. The closest nursing home to the existing site is approximately 3 miles, whereas the closest nursing home to the new facility is approximately 6.5 miles. So the proposed new location would improve geographic accessibility to nursing home care.

3. Economic Efficiencies

The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies and the continued development of the state's health care system. The State Health Plan should work to identify opportunities to improve the efficiency of the state's health care system and to encourage innovation and competition.

The replacement facility will be more efficient to operate. While no comparative studies have been made, it is obvious that a new facility will be more energy efficient and will require less repair and maintenance. The design will incorporate the most current and proven models for lay out, patient flow and similar considerations.

4. Quality of Care

Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers. Health care providers are held to certain professional standards by the state's licensure system. Many health care stakeholders are working to improve their quality of care through adoption of best practices and data-driven evaluation.

The owners and principals of the applicant have considerable experience and success in acquiring and turning around distressed or under-performing nursing homes. It is to be emphasized the termination of the Medicare and Medicaid certification for the existing facility (f/k/a Bristol Nursing home) occurred under previous ownership. The majority owner of CCCB, J. R. Lewis, has substantial experience in the ownership and operation of nursing homes in Tennessee. CCCB will provide the highest quality of care and will meet or exceed all licensure standards. In addition,

the applicant is confident it will receive and maintain Medicare and Medicaid certification for the replacement facility and will maintain compliance with all applicable standards.

5. Health Care Workforce

The state should support the development, recruitment, and retention of a sufficient and quality health care workforce. The state should consider developing a comprehensive approach to ensure the existence of a sufficient, qualified health care workforce, taking into account issues regarding the number of providers at all levels and in all specialty and focus areas, the number of professionals in teaching positions, the capacity of medical, nursing, allied health and other educational institutions, state and federal laws and regulations impacting capacity programs, and funding.

The applicant anticipates hiring approximately 60 FTE nursing, aide, and ancillary healthcare positions to staff the replacement facility. The owners of CCCB, being experienced in the operation of nursing homes in Tennessee, are familiar with licensure standards and best practices relating to staffing, and will meet or exceed the same.

CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF HEALTH CARE FACILITIES. (Guidelines for Growth)

- 1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.**

N/A. No new beds or services are involved in the project.

- 2. For relocation or replacement of existing licensed health care institution:**

- a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.**

The applicant has not caused any such studies or estimates to be prepared. The time and cost required to do so would not be a wise investment when the need for a replacement facility is so obvious. Please see the discussion in response to question 3, b, below.

- 3. For renovation or expansions of an existing licensed health care institution:**

- a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.**

There are 8 nursing homes in Sullivan County, including CCCB (f/k/a Bristol Nursing Home). There is an unimplemented CON held by NHC at Indian Path, LLC (CN1212-059) to re-locate 22 beds at the Indian Path Transitional Care Unit to a different site, and to add 30 skilled nursing beds.

The existing nursing home beds and facilities in Sullivan County, including these 120 beds, have experienced consistently healthy utilization over the past 3 years. A table reflecting the utilization data for 2010-2012 is attached as Attachment C, I, Need, 3 a, (1). The county-wide average annual occupancy rates, including these 120 beds, are as follows:

<u>Year</u>	<u>Average Occupancy</u>
2012:	88%
2011:	90%
2010:	88%

The 3 year county-wide average occupancy rate, including these 120 beds, is 89%. This is very healthy utilization and demonstrates there is a sustained strong demand for nursing home care in the service area.

The average annual occupancy rates for Bristol Nursing Home were 82% in 2010, 82% in 2011, and 92% in 2012. This is a 3 year average of 85% occupancy. BNH did not file a Joint Annual Report for 2012, or at least it is not posted on the Department of Health website. Utilization for BNH for 2012 was taken from its 2012 Medicaid Cost Report, obtained from the Comptroller of the Treasury.

The 85% 3 year average occupancy rate at the old BNH facility was very healthy, considering the age and general condition of the facility, and its location. There is clearly an adequate existing demand for these licensed beds to be put into operation at a new replacement facility.

In addition, according to the calculations of the Department of Health, there will be a need for 1,602 nursing home beds in Sullivan County in 2016. The calculated bed need from DOH is attached as Attachment C, I, Need, 3, a, (2). According to the Department of Health website there are currently 995 licensed nursing home beds in Sullivan County, and there are an additional 30 CON approved beds, for a total possible inventory of 1,025 beds (including the 120 CCCB beds). This results in there being a net need for an additional 577 beds for Sullivan County in 2016.

- b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.**

The existing facility is approximately 50 years old. Major areas which are inadequate and/or antiquated include the following:

- All resident rooms are semi-private, and smaller than called for under current codes.
- The resident room doors are currently 3'8" and are required to be 3'10".
- The roof on the entire complex needs to be replaced.
- There is a strong suspicion of asbestos throughout the complex that would need to be addressed.
- The heating and cooling system is antiquated throughout and not adequate to maintain the air temperature and quality.
- The building has a less than homelike environment, and interior finishes throughout would need to be updated.
- Fire alarm system is not to current standards and would need to be updated.
- Emergency power system is antiquated and not to current standards and would need to be replaced.
- Corridors are less than the 8' standard width.
- Almost all building and equipment components associated with the existing facility have exceeded their useful lives and are in need of replacement.
- The exterior of the building is dated and in need of significant repair.
- The windows throughout are dated, not energy efficient and in need of replacement.
- The plumbing fixtures are beyond their useful lives and in need of replacement.
- The nurse call systems are antiquated and in need of replacement.

A total renovation of the facility would not only be extremely expensive, but it would require the facility to be brought up to current building codes and licensure standards. This facility could likely not meet those standards due to space limitations. And there is not sufficient land at the site for an expansion, which would be necessary to meet the space requirements.

In addition to these problems with the physical plant, the current location is problematic, which exacerbates the fact that operating the facility as is, or undertaking a total renovation at the current site, is not desirable and not the most feasible option. The existing facility is located on the border of Tennessee and Virginia, with about half of the building in each state. Over the years, this has caused the building to be licensed as two separate nursing homes – one licensed by Tennessee and one by Virginia. This has caused a number of administrative, operational and regulatory challenges. The operations of the nursing home in the Virginia side of the facility have likewise been acquired by

an different company, and it is also seeking approval in Virginia to relocate those beds to a replacement facility.

[End of Responses to State Health Plan and Guidelines for Growth]

b. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c)

N/A.

2. Describe the relationship of this project to the applicant facility's long-range development plans, if any.

As of now the applicant has no long-range development plans for this facility, beyond its successful construction, development and operation.

3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. Please submit the map on 8 1/2" x 11"

For purposes of this application the service area is Sullivan County. In 2011 (the last year for which BNH filed a Joint Annual Report), 88% of the Tennessee residents served at BNH were residents of Sullivan County.

A map of the service area is attached as Attachment C, I, Need, 3.

4. A. Describe the demographics of the population to be served by this proposal.

A table reflecting the demographics of the service area is attached as Attachment C, I, Need, 4.

B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

There are no known or readily apparent special needs in the service area compared to other counties or the state as a whole. All citizens of Tennessee need to have reasonable access to quality long term care.

The service area has a slightly lower rate of TennCare enrollment than the state as a whole. The service area has a lower median household income than the state as a whole, but it has a lower percentage of the total population living below poverty level than the state as a whole. CCCB will participate in TennCare as well as Medicare. In

addition, the applicant has allocated an amount to charity care equal to approximately 1.5% of gross charges.

As reflected on the attached demographics table, the only notable deviation between the demographics of Sullivan County and the state as whole is that 22% of Sullivan County residents are projected to be in the 65+ age group in 2016, as compared to 15.5% of the state population as a whole. This indicates a greater need for access to long term care in Sullivan County.

- 5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.**

There are 8 nursing homes in Sullivan County, including CCCB (f/k/a Bristol Nursing Home). There is an unimplemented CON held by NHC at Indian Path, LLC (CN1212-059) to re-locate 22 beds at the Indian Path Transitional Care Unit to a different site, and to add 30 skilled nursing beds.

The existing nursing home beds and facilities in Sullivan County, including these 120 beds, have experienced consistently healthy utilization over the past 3 years. A table reflecting the utilization data for 2010-2012 is attached as Attachment C, I, Need, 3 a, (1). The county-wide average annual occupancy rates, including these 120 beds, are as follows:

<u>Year</u>	<u>Average Occupancy</u>
2012:	88%
2011:	90%
2010:	88%

In addition, according to the calculations of the Department of Health, there will be a need for 1,602 nursing home beds in Sullivan County in 2016. The calculated bed need from DOH is attached as Attachment C, I, Need, 3, a, (2). According to the Department of Health website there are currently 995 licensed nursing home beds in Sullivan County, and there are an additional 30 CON approved beds, for a total possible inventory of 1,025 beds (including the 120 CCCB beds). This results in there being a net need for an additional 577 beds for Sullivan County in 2016.

- 6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the**

details regarding the methodology used to project utilization. The methodology must include detailed calculations or documentation from referral sources, and identification of all assumptions.

Historical Utilization:

2012: 92%
2011: 82%
2010: 82%

Projected Utilization:

Year 1: 50%
Year 2: 92%

The factors taken into consideration in reaching the projected utilization include the historical utilization of the facility under the previous ownership, the historical performance of other nursing homes in the service area, and the increased visibility and desirability of the new replacement facility in the market place.

County-wide, the average annual occupancy rate, including these 120 beds, has averaged 89% between 2010-2012. This is very healthy utilization and indicates a strong demand for nursing home care in the area. Under the previous ownership, despite being housed in an aging facility with a less than ideal location, BNH averaged 85% occupancy between 2010-2012. In its last full year of operation (2012) it experienced a 92% occupancy rate.

Based on these trends, the applicant projected it could realize that same occupancy -- 92% -- by its second year of operation. Although the beds have been in Inactive Status, the applicant is confident patients will utilize the new replacement facility at the same or higher rate than was the case at BNH, based on the following considerations:

- A new, attractive and appealing facility
- High quality care being provided at the new facility
- Increasing demand as the population ages
- Need for additional nursing home beds as indicated by the bed need calculations of the Department of Health
- Business and marketing acumen of the new owners

Realizing there is some ramp-up time for any new facility, including the necessity of some time to earn a reputation for high quality and compassionate care, the applicant discounted the utilization down to 50% for Year 1. This is an educated and experienced estimate, and the applicant believes it is on the conservative side. From

these projected occupancy rates, the applicant calculated the resulting number of patient days.

II. ECONOMIC FEASIBILITY

1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.

- **All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)**
- **The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.**
- **The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.**

For projects that include new construction, modification, and/or renovation; documentation must be provided from a contractor and/or architect that support the estimated construction costs.

A completed Project Costs Chart is attached following this response.

The amounts reflected on the Chart are reasonable estimates of the costs of developing the replacement facility. Although this will be a lease, the costs of land acquisition, construction, and interim financing (the "construction costs") are the most accurate cost estimate instead of the "fmv" of the lease for the following reasons: First, the lessor and the lessee have identical ownership (60% J.R. Lewis and 40% Grant T. Miller). Second, the construction costs are actual out of pocket capital costs, whereas the lease payments would be paid through operating revenues. Third, the lease is structured in a way that the total of the lease payments cannot be accurately calculated on the front end of the lease because, in part, the amount of annual lease payments will change based on ultimate long term financing (as opposed to the interim financing), and other factors which will not be determined until after the completion of construction at the earliest. Ultimately, the value of the lease is intended to cover or reimburse the owner/lessor for the construction costs,

so the two cost components (construction cost and lease value) are equivalent to each other. Accordingly, the applicant has documented herein all required aspects of a “construction” project as required by the application and rules. Please see the response to question C, 3 for further discussion of the reasonableness of estimated project costs.

A letter from the project architect is attached as Attachment C, II, Economic Feasibility , 1.

PROJECT COSTS CHART

A. Construction and equipment acquired by purchase:		
1. Architectural and Engineering Fees		\$ 300,000.00
2. Legal, Administrative, Consultant Fees		\$35,000
3. Acquisition of Site		\$ 400,000.00
4. Preparation of Site		\$ 150,000.00
5. Construction Costs		\$ 8,964,440.00
6. Contingency Fund	7%	\$ 627,511.00
7. Fixed Equipment (Not included in Construction Contract)		
8. Moveable Equipment (List all equipment over \$50,000.00) Equipment included in Line A, 9.		
9. Other (Specify) <u>FF&E (see attached list)</u>		\$ 1,074,960.00
B. Acquisition by gift donation, or lease:		
1. Facility (Inclusive of building and land)		
2. Building Only		
3. Land Only		
4. Equipment (Specify) _____		
5. Other (Specify) _____		
C. Financing Costs and Fees:		
1. Interim Financing (Construction Period Interest)		\$ 325,000.00
2. Underwriting Costs		\$ 50,000.00
3. Reserve for One Year's Debt Service*		
4. Other (Specify) _____		
D. Estimated Project Cost (A+B+C)		\$ 11,926,911.00
E. CON Filing Fee		\$ 26,835.55
F. Total Estimated Project Cost (D & E)		\$ 11,953,746.55
TOTAL		\$ 11,953,746.55

FF&E (Line A, 9)

Resident Room Furniture	\$492,000.00
Dining Room Furniture	\$50,000.00
Common Area Furniture	\$30,000.00
Office Furniture	\$20,000.00
Softgoods	\$80,000.00
Art	\$50,000.00
Signage	\$10,000.00
TVs	\$50,000.00
Overbed Lighting (Potentially under construction budget)	\$26,400.00
Logistics & Installation	\$47,360.00
Freight	\$35,520.00
Furniture & Equipment Total	\$891,280.00

Rehab and Fitness	\$50,000.00
Environmental	\$30,000.00
Smallwares	\$27,000.00
Clinical	\$45,000.00
Textiles	\$12,000.00,
Logistics & Installation	\$11,480.00
Freight	\$8,200.00
Start-up Supplies Total	\$183,680.00

Total FFE	\$1,074,960.00
------------------	-----------------------

2. Identify the funding sources for this project.

- a. Please check the applicable item(s) below and briefly summarize how the project will be financed. (*Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.*)**

- X A. Commercial loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;**

A funding letter is attached as Attachment C, II, Economic Feasibility, 2.

- ☐ **B. Tax-exempt bonds--Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;**
- ☐ **C. General obligation bonds—Copy of resolution from issuing authority or minutes from the appropriate meeting.**
- ☐ **D. Grants--Notification of intent form for grant application or notice of grant award; or**
- ☐ **E. Cash Reserves--Appropriate documentation from Chief Financial Officer.**
- ☐ **F. Other—Identify and document funding from all other sources.**

3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.

The amounts reflected on the Chart are reasonable estimates of the costs of developing the replacement facility. The largest single cost component is the estimated construction costs of \$8,964,440. For the 52,732 square foot facility, this equates to an average cost per square foot of \$170.00. This cost per square foot is slightly above the median cost for new nursing home construction approved by the HSDA for similar projects between 2010-2012 (see table below). However, it is below that of the 3rd Quartile of such approved costs. Some higher cost is reasonable, based on 2014 dollars, as compared to 2010-2012 dollars. And, the construction quality and grade of the CCCB replacement facility will be above average. The architect is of the opinion this is a reasonable construction cost estimate for this project.

**Nursing Home Construction Cost Per Square Foot
Years: 2010 – 2012**

	Renovated Construction	New Construction	Total Construction
1st Quartile	\$19.30/sq ft	\$164.57/sq ft	\$73.23/sq ft
Median	\$35.76/sq ft	\$167.31/sq ft	\$164.57/sq ft
3rd Quartile	\$55.00/sq ft	\$181.72/sq ft	\$167.61/sq ft

Source: CON approved applications for years 2010 through 2012; HSDA website.

The estimated cost of the furniture, fixtures and equipment is \$1,074,960. This includes both medical equipment (beds, etc.) and non-medical equipment (kitchen equipment, furniture, etc.). The FFE cost is reasonable based on purchases from third party vendors, and benefits from the owners' experience as purchasers in the marketplace.

The land was acquired in an arms-length transaction and represents fair market value based on the experience of the owners and their agents, advisors and consultants.

4. **Complete Historical and Projected Data Charts on the following two pages--Do not modify the Charts provided or submit Chart substitutions! Historical Data Chart represents revenue and expense information for the last *three (3)* years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the *Proposal Only* (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).**

CCCB acquired the facility operations and became the licensee effective October 1, 2013. Since that time, the license has been on Inactive Status, as approved by the BLHCF. The applicant does not have access to the previous owner's financial information. Therefore, no Historical Data Chart is available.

A completed Projected Data Chart is attached on the following pages.

PROJECTED DATA CHART - Christian Care Center of Bristol

Give information for the two (2) years following completion of this proposal. The fiscal year begins in January.

	Year 1	Year 2
A. Utilization/Occupancy Data (Specify unit of measure).	<u>21,900 Patient Days</u> 50% Occupancy	<u>40,296 Patient Days</u> 92% Occupancy
B. Revenue from Services to Patients		
1. Inpatient Services	\$ 7,204,384.00	\$ 13,305,029.00
2. Outpatient Services	\$	\$
3. Emergency Services	\$	\$
4. Other Operating Revenue (Specify) (phone, cable & guest meals)	\$ 75,726.00	\$ 139,337.00
Gross Operating Revenue	\$ 7,280,110.00	\$ 13,444,366.00
C. Deductions from Operating Revenue		
1. Contractual Adjustments	\$ 2,037,273.00	\$ 3,809,305.00
2. Provisions for Charity Care	\$ 108,000.00	\$ 198,000.00
3. Provisions for Bad Debt	\$ 68,800.00	\$ 68,800.00
Total Deductions	\$ 2,214,073.00	\$ 4,076,105.00
NET OPERATING REVENUE	\$ 5,066,037.00	\$ 9,368,261.00
D. Operating Expenses		
1. Salaries and Wages	\$ 1,876,688.00	\$ 2,987,200.00
2. Physicians' Salaries and Wages	\$ 30,038.00	\$ 30,070.00
3. Supplies	\$ 539,520.00	\$ 992,718.00
4. Taxes	\$ 599,963.00	\$ 753,652.00
5. Depreciation	\$ 62,877.00	\$ 77,893.00
6. Rent	\$ 880,747.00	\$ 887,580.00
7. Interest, other than Capital	\$ 17,213.00	\$ 31,672.00
8. Management Fees:		
a. Fees to Affiliates		
b. Fees to Non-Affiliates	\$ 153,865.00	\$ 283,112.00
9. Other Expenses		
Specify: <u>see attached</u>	\$ 1,392,016.00	\$ 2,132,652.00
Total Operating Expenses	\$ 5,552,927.00	\$ 8,176,549.00
E. Other Revenue (Expenses)--Net		
Specify: _____		
NET OPERATING INCOME (LOSS)	\$ (486,890.00)	\$ 1,191,712.00
F. Capital Expenditures		
(na - Facility is leased)		
1. Retirement of Principal		
2. Interest		
Total Capital Expenditures	\$ -	\$ -
NET OPERATING INCOME (LOSS)	\$ (486,890.00)	\$ 1,191,712.00
LESS CAPITAL EXPENDITURES	\$ -	\$ -
NOI LESS CAPITAL EXPENDITURES	\$ (486,890.00)	\$ 1,191,712.00

Christian Care Center of Bristol - Other Expenses - PROJECTIONS for Years 1 & 2

	Christian Care Center of Bristol (CCB)	Christian Care Center of Bristol (CCB)
Statement Date	Annual Projection	Annual Projection
Time Period	Year #1	Year #2
Licensed Beds	120	120
Days in Period	365	365
Average Occupancy	50.0%	92.0%

OTHER EXPENSES

Administrative

Dues & Subscriptions	31,564	58,078
Telephone	19,000	19,000
Accounting Services	35,000	35,000
Legal Services	342	630
Insurance - Liability	50,000	50,000
Vehicle Expense	613	1,129
Travel	4,353	8,009
Advertising - Staff Procurement	1,531	2,817
Marketing & Public Relations	20,160	37,095
Purchased Services	47,000	47,000
Education	1,899	3,495
Billing & Collections Expense	52,170	95,993
Risk Management Expense	25,869	47,599
Patient Memorial Expense	2,071	3,811
Other Administrative Expenses	88	163
Customer Relations	6,789	12,492

Total Administrative Expense

298,452

422,311

Employee Benefits

Employee Insurance/Medical	80,845	148,754
Employee Relations	13,977	25,718
Workman's Comp. Insurance	28,476	52,396
Employee Paid Time Off	108,217	199,120
Benefits Administrative Cost	34,350	63,204
Employee Insurance - Life	1,538	2,829
Employee Insurance - LTD	2,691	4,952

Total Employee Benefits

270,094

496,973

Housekeeping

Pest Control	3,797	6,987
Education	98	181

Total Housekeeping

3,895

7,167

Background Check	210	387
Non-Emergency Transport	7,386	13,590
Education	1,528	2,811
EDCC Expense	35,066	64,521
MDS Expense	3,650	6,716

Total Nursing Expense

47,840

88,025

Christian Care Center of Bristol - Other Expenses - PROJECTIONS for Years 1 & 2

	Christian Care Center of Bristol (CCB)	Christian Care Center of Bristol (CCB)
Statement Date	Annual Projection	Annual Projection
Time Period	Year #1	Year #2
Licensed Beds	120	120
Days in Period	365	365
Average Occupancy	50.0%	92.0%
Other		
Bank Charges	5,900	5,900
Donations	8,000	8,000
Meals Related to Travel	336	618
Total Other Expenses	14,236	14,518
Plant Expenses		
Natural Gas / Propane / Diesel	20,849	20,849
Electricity	134,871	134,871
Water & Sewer	41,082	41,082
Purchased Services	75,000	75,000
Education	94	173
Lawn Service	24,000	24,000
Furniture / Equip Replacement	20,000	20,000
Storage Space Rental	3,817	7,023
Total Plant Expenses	319,712	322,997
Property		
Insurance - Bldg. & Equip.	16,462	16,462
Total Property Expenses	16,462	16,462
Recreation Expenses		
Education	110	202
Total Recreational Expense	110	202
Social Services		
Education	577	1,061
Total Social Services	577	1,061
Therapy Expenses		
Contracted Services - P.T.	191,028	340,451
Contracted Services - S.T.	68,382	125,822
Contracted Services - O.T.	161,229	296,662
Total Therapy Expenses	420,639	762,935
TOTAL OTHER EXPENSES	1,392,016	2,132,652

5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

Average Gross Charge: \$328.96 ppd (Inpatient revenue/patient days)
Average Deduction: \$101.10 ppd (Total deductions/patient days)
Average Net Charge: \$231.33 ppd (Net operating revenue/patient days)

6. A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.

As previously noted, the beds are currently on Inactive Status, so there are no current charges. Anticipated revenues are reflected on the Projected Data Chart.

B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

A comparison of the projected CCCB charges for Year 1 (2016) to the actual charges of other facilities in the service area for 2012 is reflected below.

Facility	Average Net Charge PPD
Christian Care Center of Bristol (Projected Yr. 1)	\$231.33
Brookhaven Manor (2012)	\$344.26
Greystone Healthcare Center (2012)	\$98.28
Holston Manor (2012)	\$172.68
Indian Path T.C.U. (2012)	\$383.37
Cambridge House (2012)	\$162.79
Wexford House (2012)	\$228.51

Source: Joint Annual Reports for 2012

7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.

The projected utilization rates are reasonable and if anything conservative. Based on the projected utilization, the facility will have an operating loss in Year 1 and positive net operating revenue in year 2. Achieving a comfortable operating gain

after only one year of operation at a modest loss demonstrates the project is cost efficient.

- 8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.**

The Projected Data Chart reflects a negative NOI in Year 1. If taxes, depreciation and interest are added back in, there is a positive cash flow (EBITDA). If additional working capital is needed in Year 1, the applicant will have a \$1 million line of credit it can draw upon. A copy of interest in extending a line of credit from Carter County Bank is attached as Attachment C, II, Economic Feasibility, 8. As reflected on the Projected Data Chart, the facility will be operating with a comfortable profit in Year 2.

- 9. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.**

CCCB will participate in both Medicare and Medicaid/TennCare. The projected payor mix for Year 1 is as follows:

Medicaid/TennCare:	51%
Medicare:	19%
Private pay:	21%
Commercial/managed care:	6%
Hospice:	3%
Projected TennCare/Medicaid net revenue:	\$2,583,679
Projected Medicare net revenue:	\$962,547

- 10. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.**

Christian Care Center of Bristol, LLC is a new company and there are no financial statements for it.

The owners of CCCB are two individuals: J.R. Lewis (60%) and Grant T. Miller (40%). Financial statements for two other companies that are owned by Mr. Lewis and Mr. Miller in the same percentages are attached as Attachment C, II, Economic Feasibility, 10.

11. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:

- a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.**

The only alternative is to maintain the status quo and operate the old BNH facility as is, or with extensive renovations. The existing facility is approximately 50 years old, and although no specific cost estimates of a total renovation the facility have been sought or received, such an alternative is clearly not desirable and not the most feasible option. This alternative would not be less costly in the long run, due to inefficiencies and the need for continually escalating repairs and maintenance, and would not be more effective in the short term or long term.

A total renovation of the facility would not only be extremely expensive, but it would require the facility to be brought up to current building codes and licensure standards. This facility could likely not meet those standards due to space limitations. And there is not sufficient land at the site for an expansion, which would be necessary to meet the space requirements.

In addition, the existing facility is located on the border of Tennessee and Virginia, with about half of the building in each state. Over the years, this has caused the building to be licensed as two separate nursing homes – one licensed by Tennessee and one by Virginia. This has caused a number of administrative, operational, and regulatory challenges. The operations of the nursing home in the Virginia side of the facility have likewise been acquired by an different company, and it is also seeking approval in Virginia to relocate those beds to a replacement facility.

- b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.**

Although no specific cost estimates for a total renovation the facility have been sought or received, such an alternative is clearly not desirable and not the most feasible option (see discussion in the immediately preceding response). It is obvious that a new facility will be more energy efficient and will require less repair and maintenance. The design will also incorporate the most current and proven

models for lay out, patient flow and similar considerations. For all of these reasons, as well as those mentioned in the immediately preceding response, the best and most effective and efficient option is the replacement facility.

(III.) CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

- 1. List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.**

A list of all such health care providers or entities is attached as Attachment C, III, Orderly Development, 1.

- 2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.**

This project will have a positive effect by bringing a nice new nursing home facility to the service area, thereby increasing access and providing a more attractive option to those needing long term care services in the service area. It will also bring ancillary benefits by creating additional jobs in the local health care sector, and providing an economic stimulus.

The existing nursing home beds and facilities in Sullivan County have experienced healthy utilization over the past 3 years. A table reflecting the utilization data for 2010-2012 is attached as Attachment C, I, Need, 5. The county-wide average annual occupancy rates, including these 120 beds, are as follows:

<u>Year</u>	<u>Average Occupancy</u>
2012:	88%
2011:	90%
2010:	88%

In addition, according to the calculations of the Department of Health, there will be a need for 1,602 nursing home beds in Sullivan County in 2016. The calculated bed need from DOH is attached as Attachment C, I, Need, 3, a, (2). According to the Department of Health website there are currently 995 licensed nursing home beds in Sullivan County, and there are an additional 30 CON approved beds, for a total possible inventory of 1,025 beds (including the 120 CCCB beds). This results in there being a net need for an additional 577 beds for Sullivan County in 2016.

This project is a relocation of existing beds and will not add any new licensed beds to the service area. Since the CCCB beds are already licensed in the market, their relocation would not have a significant impact on the services or utilization of other existing providers.

3. **Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.**

All beds are currently in Inactive Status as approved by the Board for Licensing Healthcare Facilities, so there is no current staffing. The proposed staffing for direct patient care positions only is reflected below.

Position	FTE	Average Wage	Department of Labor Median Wage
Administrator	1	\$48.61	Not listed
Nursing Administration	4	\$33.19	Not listed
Medical Records	1	\$18.30	Not listed
RN	2.6	\$28.79	\$23.40
LPN	11.8	\$20.43	\$16.40
C.N.A.	35.5	\$13.47	\$10.45
Activities and Chaplain	2.5	\$11.88	Not listed
Social Services	2	\$23.03	\$17.85

4. **Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.**

The applicant anticipates hiring approximately 60 FTE nursing, aide, and ancillary healthcare positions to staff the replacement facility. The applicant does not anticipate difficulty in filling the needed positions. The owners of CCCB, being experienced in the operations of nursing homes in Tennessee, are familiar with licensure standards and best practices relating to staffing, and will meet or exceed the same.

5. **Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing,**

admission privileges, quality assurance policies and programs, utilization review policies and programs, record keeping, and staff education.

The owners of CCCB are experienced and knowledgeable of nursing home operations, and hereby verify they understand and will comply with all licensure and certification requirements relating to the clinical and medical staff.

- 6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).**

CCCB is not involved in such programs now, but will likely pursue and/or entertain opportunities for such training programs in the future.

- 7. (a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.**

The applicant hereby verifies it has reviewed and understands the licensure requirements of the Department of Health and applicable Medicare requirements.

(b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Licensure: Tennessee Board for Licensing Healthcare Facilities

Accreditation: Joint Commission

If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

All beds are currently in Inactive Status as approved by the Board for Licensing Healthcare Facilities on September 11, 2013. The Inactive Status is effective until September 11, 2015 unless subsequently extended by the BLHCF. A copy of the approval letter from the BLHCF is attached as Attachment A, 9. Medicare and Medicaid certification of the facility was terminated by CMS when the facility was under prior ownership. The facility operations were acquired by and licensed to Christian Care Center of Bristol, LLC effective October 1, 2013. CCCB will apply for new Medicaid and Medicare provider numbers for the new replacement facility at the appropriate time.

A copy of the license is attached as Attachment C, III, Orderly Development, 7.

- 8. For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an**

approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.

As explained above, the facility is not currently in operation. The applicant does not have copies of any prior survey(s) of BNH, and it would seem such survey(s) would not be relevant or applicable to this application, since (1) the applicant is a new owner with no association with the past owner; and (2) the new owner is seeking approval for a replacement facility.

- 9. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.**

None.

- 10. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project.**

None.

- 11. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.**

If this proposal is approved the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

The Notice of Intent was published in the Bristol Herald Courier, a newspaper of general circulation in Sullivan County on April 10, 2014. A Publisher's Affidavit is attached on the following page.

DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

- 1. Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.**

A completed Project Completion Forecast Chart is attached on the following page.

- 2. If the response to the preceding question indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph, please state below any request for an extended schedule and document the "good cause" for such an extension.**

N/A.

**Tri-Cities/Southwest Virginia
Regional Group**

Advertising Affidavit

P.O Box 609
Bristol, VA 24203
(276) 669-2181

Account Number

2250338

Date

April 10, 2014

STITES&HARBISON PLLC
401 COMMERCE STREET, SUITE 800
NASHVILLE, TN 37219

Date	Category	Description	Ad Size	Total Cost
04/12/2014	_Legal Notices	PUBLIC NOTICE - NOTIFICATION OF INTENT T	2 x 37 L	433.70

NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that Christian Care Center of Bristol, owned and managed by Christian Care Center of Bristol, LLC, which will have a Management Consulting and Services Agreement with Care Centers Management Consulting, Inc., intends to file an application for a Certificate of Need for the construction of a replacement facility and the relocation of its 120 bed nursing home. The nursing home is currently located at 261 North Street, Bristol, Sullivan County, Tennessee 37620. The site for the proposed replacement facility is an unimproved lot located at 2830 Highway 394, Bristol, Sullivan County, Tennessee 37620. Christian Care Center of Bristol is and will be licensed as a nursing home by the Tennessee Board for Licensing Health Care Facilities. No additional beds, change in services or major medical equipment are involved in this project. The estimated project cost is \$12,000,000.

The anticipated date of filing the application is **April 15, 2014**.

The contact person for this project is Jerry W. Taylor, Attorney, who may be reached at Stites and Harbison, PLLC, 401 Commerce Street, Suite 800, Nashville, Tennessee, 37219, 615-782-2228.

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency
Andrew Jackson Building, Ninth Floor
582 Deaderick Street
Nashville, TN 37243

Pursuant to T.C.A. § 68-11-1607(c)(1): (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

**Publisher of the
Bristol Herald Courier**

This is to certify that the attached PUBLIC NOTICE - NOTIFICATION was published in the Bristol Herald Courier in the Commonwealth of Virginia, on the following dates:

04/10/2014

The First insertion being given ... 04/10/2014

Newspaper reference: 0000730706

Sworn to and subscribed before me this

4-10-14

Peggy Bevens
Notary Public

Tracey Byar
Accounting Clerk

State of Virginia
My Commission expires



THIS IS NOT A BILL. PLEASE PAY FROM INVOICE. THANK YOU

PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in Rule 68-11-1609(c):
July 2014

Assuming the CON approval becomes the final agency action on that date; indicate the number of days **from the above agency decision date** to each phase of the completion forecast.

PHASE	DAYS REQUIRED	ANTICIPATED DATE (Month/Year)
1. Architectural and engineering contract signed	0	Jul/14
2. Construction documents approved by the Tennessee Department of Health	150	Nov/14
3. Construction contract signed	150	Nov/14
4. Building permit secured	180	Dec/14
5. Site preparation completed	270	Mar/15
6. Building construction commenced	300	Apr/15
7. Construction 40% complete	390	Jul/15
8. Construction 80% complete	510	Nov/15
9. Construction 100% complete (approved for occupancy	660	Apr/16
10. *Issuance of license	690	May/16
11. *Initiation of service	690	May/16
12. Final Architectural Certification of Payment	705	Jun/16
13. Final Project Report Form (HF0055)	720	Jun/16

*** For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.**

LIST OF ATTACHMENTS
CHRISTIAN CARE CENTER OF BRISTOL

Organizational documentation	<u>Attachment A, 4</u>
Management Services and Consulting Agreement	<u>Attachment A, 5</u>
Contract for Sale of Real Estate; Lease	<u>Attachment A, 6</u>
Inactive Status approval letter from BLHCF	<u>Attachment A, 9</u>
Plot Plan	<u>Attachment B, III, (A)</u>
Floor Plan	<u>Attachment B, IV</u>
County-wide utilization data 2010-2012	<u>Attachment C, I, Need, 3 a, (1)</u>
Calculated bed need from DOH	<u>Attachment C, I, Need, 3, a, (2)</u>
Map of the service area	<u>Attachment C, I, Need, 3</u>
Demographics of the service area	<u>Attachment C, I, Need, 4</u>
Architect letter	<u>Attachment C, II, Economic Feasibility , 1</u>
Funding letter	<u>Attachment C, II, Economic Feasibility, 2</u>
Line of credit letter	<u>Attachment C, II, Economic Feasibility, 8</u>
Financial statements	<u>Attachment C, II, Economic Feasibility, 10</u>
List of health care provider agreements	<u>Attachment C, III, Orderly Development, 1</u>
Nursing home license	<u>Attachment C, III, Orderly Development, 7</u>



STATE OF TENNESSEE
Tre Hargett, Secretary of State
Division of Business Services
William R. Snodgrass Tower
312 Rosa L. Parks AVE, 6th FL
Nashville, TN 37243-1102

CHRISTIAN CARE CENTER OF BRISTOL
2020 NORTH PARK SUITE 2D
JOHNSON CITY, TN 37604

April 7, 2014

Request Type: Certificate of Existence/Authorization
Request #: 0124975

Issuance Date: 04/07/2014
Copies Requested: 1

Document Receipt

Receipt #: 1448111 Filing Fee: \$22.25
Payment-Credit Card - State Payment Center - CC #: 155427727 \$22.25

Regarding: Christian Care Center of Bristol, LLC
Filing Type: Limited Liability Company - Domestic
Formation/Qualification Date: 06/24/2013
Status: Active
Duration Term: Perpetual
Business County: WASHINGTON COUNTY

Control #: 723529
Date Formed: 06/24/2013
Formation Locale: TENNESSEE
Inactive Date:

CERTIFICATE OF EXISTENCE

I, Tre Hargett, Secretary of State of the State of Tennessee, do hereby certify that effective as of the issuance date noted above

Christian Care Center of Bristol, LLC

- * is a Limited Liability Company duly formed under the law of this State with a date of incorporation and duration as given above;
- * has paid all fees, taxes and penalties owed to this State (as reflected in the records of the Secretary of State and the Department of Revenue) which affect the existence/authorization of the business;
- * has filed the most recent corporation annual report required with this office;
- * has appointed a registered agent and registered office in this State;
- * has not filed Articles of Dissolution or Articles of Termination. A decree of judicial dissolution has not been filed.

Tre Hargett
Secretary of State

Processed By: Cert Web User

Verification #: 006747828

**ARTICLES OF ORGANIZATION
LIMITED LIABILITY COMPANY** (99-4270)

Page 1 of 2



Business Services Division
Tre Hargett, Secretary of State
State of Tennessee
312 Rosa L. Parks AVE, 6th Fl.
Nashville, TN 37243-1102
(615) 741-2286

Filing Fee: \$50.00 per member
(minimum fee = \$300, maximum fee = \$3,000)

For Office Use Only

FILED

The Articles of Organization presented herein are adopted in accordance with the provisions of the Tennessee Revised Limited Liability Company Act.

1. The name of the Limited Liability Company is: Christian Care Center of Bristol, LLC

(NOTE: Pursuant to the provisions of T.C.A. §48-249-106, each Limited Liability Company name must contain the words "Limited Liability Company" or the abbreviation "LLC" or "L.L.C.")

2. Name Consent: (Written Consent for Use of Indistinguishable Name)

☐ This entity name already exists in Tennessee and has received name consent from the existing entity.

3. This company has the additional designation of: _____

4. The name and complete address of the Limited Liability Company's initial registered agent and office located in the state of Tennessee is:

Name: Laura S. Woods

Address: 2020 Northpark, Suite 2D

City: Johnson City State: Tennessee Zip Code: 37604 County: Washington

5. Fiscal Year Close Month: 12/31

6. If the document is not to be effective upon filing by the Secretary of State, the delayed effective date and time is: (Not to exceed 90 days)

Effective Date: / /
Month Day Year

Time:

7. The Limited Liability Company will be: ☒ Member Managed ☐ Manager Managed ☐ Director Managed

8. Number of Members at the date of filing: 2

9. Period of Duration: ☒ Perpetual ☐ Other / /
Month Day Year

10. The complete address of the Limited Liability Company's principal executive office is:

Address: 2020 Northpark, Suite 2D

City: Johnson City State: Tennessee Zip Code: 37604 County: Washington

ARTICLES OF ORGANIZATION LIMITED LIABILITY COMPANY (ss-4270)

Page 2 of 2



Business Services Division
Tre Hargett, Secretary of State
State of Tennessee
312 Rosa L. Parks AVE, 6th Fl.
Nashville, TN 37243-1102
(615) 741-2286

Filing Fee: \$50.00 per member
(minimum fee = \$300, maximum fee = \$3,000)

For Office Use Only

The name of the Limited Liability Company is: Christian Care Center of Bristol, LLC

11. The complete mailing address of the entity (if different from the principal office) is:

Address: _____

City: _____ State: _____ Zip Code: _____

12. Non-Profit LLC (required only if the Additional Designation of "Non-Profit LLC" is entered in section 3.)

- ☐ I certify that this entity is a Non-Profit LLC whose sole member is a nonprofit corporation, foreign or domestic, incorporated under or subject to the provisions of the Tennessee Nonprofit Corporation Act and who is exempt from franchise and excise tax as not-for-profit as defined in T.C.A. §67-4-2004. The business is disregarded as an entity for federal income tax purposes.

13. Professional LLC (required only if the Additional Designation of "Professional LLC" is entered in section 3.)

- ☐ I certify that this PLLC has one or more qualified persons as members and no disqualified persons as members or holders.

Licensed Profession: _____

14. Series LLC (required only if the Additional Designation of "Series LLC" is entered in section 3.)

- ☐ I certify that this entity meets the requirements of T.C.A. §48-249-309(a) & (b)

15. Obligated Member Entity (list of obligated members and signatures must be attached)

- ☐ This entity will be registered as an Obligated Member Entity (OME) Effective Date: _____
Month Day Year

- ☐ I understand that by statute: THE EXECUTION AND FILING OF THIS DOCUMENT WILL CAUSE THE MEMBER(S) TO BE PERSONALLY LIABLE FOR THE DEBTS, OBLIGATIONS AND LIABILITIES OF THE LIMITED LIABILITY COMPANY TO THE SAME EXTENT AS A GENERAL PARTNER OF A GENERAL PARTNERSHIP. CONSULT AN ATTORNEY.

16. This entity is prohibited from doing business in Tennessee:

- ☐ This entity, while being formed under Tennessee law, is prohibited from engaging in business in Tennessee.

17. Other Provisions: _____

June 21, 2013
Signature Date

Vice President of Legal Affairs
Signer's Capacity (if other than individual capacity)

Laura S Woods
Signature

Laura S. Woods
Name (printed or typed)

**MANAGEMENT CONSULTING
AND SERVICES AGREEMENT**

THIS **MANAGEMENT CONSULTING AND SERVICES AGREEMENT** ("Agreement") is made and entered into as of the Effective Date by and between _____, a _____ having an address of _____ ("Owner"), and CARE CENTERS MANAGEMENT CONSULTING, INC., a Tennessee corporation, having an office at 2020 Northpark, Suite 2D, Johnson City, Tennessee 37604 ("Management Consultant").

WITNESSETH:

WHEREAS, Owner is in the process of acquiring an ____-bed nursing home located at _____, _____, TN _____ for Owner to own and operate; and

WHEREAS, Owner desires to engage Management Consultant to provide consulting and other services in furtherance of Project operations, subject to the terms and provisions of this Agreement, and Management Consultant agrees to perform the services provided for herein.

NOW THEREFORE, for and in consideration of the foregoing premises, the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

ARTICLE I

DEFINITIONS

When used in this Agreement, the following words or terms shall have the following definitions:

1.1 "Effective Date" means the date on which Owner closes on its acquisition of the Nursing Home.

1.2 "Fiscal Year" means a year, commencing January 1, and ending December 31, except that the first Fiscal Year shall be that period commencing on the Effective Date and ending on the next succeeding December 31.

1.3 "Management Consultant Affiliate" means any entity to which Management Consultant is related via common ownership and/or control.

1.4 "Improvements" means Owner's Nursing Home and all other structural improvements situated on the Land.

1.5 "Land" means Owner's tract of land located at _____, _____, TN _____.

1.6 "Nursing Home" means Owner's nursing home located on the Land.

1.7 "Operating Plan" means the broad plan of Project operation including, but not limited to, all systems, methods, policies, procedures, job descriptions, salaries, wages, benefits, budget guidelines and parameters, forms, manuals, internal controls, quality assurance programs, compliance programs, and insurance programs utilized by Owner in its operation of the Project. The Operating Plan shall be prepared by Management Consultant and recommended to Owner via communication of same to Owner's Administrator. The Operating Plan shall at all times belong to Owner, and it will be the sole responsibility of Owner's Administrator to evaluate and implement the Operating Plan.

1.8 "Patients" means the residents of Owner's Nursing Home.

1.9 "Project" means Owner's Land, Owner's Improvements, and Owner's Nursing Home operation.

1.10 "Project Expenses" means all Project-related expenses, costs, and charges of every kind and nature incurred in connection with the operation and maintenance of the Project. All Project Expenses shall be and remain the sole responsibility of Owner.

1.11 "Project Income" means, with respect to a specific period of time, Owner's revenues from all sources in connection with the operation of the Project. Project Income shall not include or mean (i) capital contributions of Owner, (ii) non-Patient-services-related insurance proceeds (however, business interruption insurance proceeds shall be included in "Project Income"), (iii) tax refunds, (iv) condemnation proceeds or awards, or (v) amounts collected from Patients as security deposits, if any, except to the extent those security deposits are actually applied against the payments owed to the Nursing Home.

1.12 "Salaries and Benefits" means all of the Project's salaries, wages, bonuses, and other direct compensation, group life, accident, disability, medical and health insurance, pension plans, social security payments, payroll and other employee taxes, worker's compensation payments, employer's contribution to F.I.C.A., unemployment compensation, and similar so-called fringe benefits.

1.13 "Administrator" means the individual charged by Owner with the responsibility of administration and management of the Nursing Home. The Administrator shall be an employee of Owner, shall be licensed pursuant to Tennessee law, and shall be the executive delegated the responsibility by Owner to directly interact with and to evaluate and implement the recommendations from Management Consultant.

1.14 "Service Center Expenses" means those expenses associated with the performance, at a central location, of certain services, including, without limitation, human resource services, billing and disbursement services, legal services, risk management services, executive direct care coordinator services, marketing services, information technology services and plant maintenance consulting services, performed either by Management Consultant or a Management Consultant Affiliate subcontracted to perform such services (the "Service Center"). The Service Center directly incurs, on behalf of several facilities, the direct costs and related overhead expenses associated with the above services and each month bills each facility its pro-rata share of such costs and expenses based on the facility's patient days.

When used in this Agreement, the words and terms for which definitions are specified in the introductory paragraph of this Agreement and in the further Articles of this Agreement shall have the definitions respectively therein ascribed to them.

ARTICLE II

RELATIONSHIP OF PARTIES

2.1 Status of Management Consultant. It is expressly acknowledged by the Parties that Management Consultant is an independent contractor, and nothing contained in this Agreement is intended or shall be construed (a) to create a partnership or joint venture between the Parties, or any affiliate, employee, officer, agent, or associate of any of the Parties, (b) to cause Management Consultant or any affiliate, employee, agent, or associate of Management Consultant to be responsible in any way for the Owner's and Project's debts, liabilities, responsibilities, duties or obligations of the other Party, or (c) to constitute an employer-employee relationship between the Parties. In the event the Internal Revenue Service should question or challenge the independent contractor status of Management Consultant, the Parties mutually agree that Management Consultant and Owner shall have the right to participate in any discussion or negotiation occurring with the Internal Revenue Service, irrespective of whom or by whom those discussions or negotiations are initiated.

2.2 Clarification Of Management Consultant's Services. The parties hereto hereby acknowledge and understand that Management Consultant's role is to make recommendations to Owner on matters pertaining to its business via its direct interaction and communication with the Administrator. The parties further understand and acknowledge that:

(a) **Patient Services.** Management Consultant is not a "management company" as defined any form(s) issued by any regulatory or other governing entity as in effect on the Effective Date, and Owner retains ultimate legal responsibility for operation of the Nursing Home, even if said form(s) incorrectly identifies Management Consultant as a "management company." Management Consultant will not provide Patient services, and in no way and under no circumstances shall Management Consultant be held responsible for the quantity and/or quality of said Patient services provided by Owner. All Patient services shall be provided under the authority of the Administrator solely by Owner's employees and contracted service providers (excluding Management Consultant), and the responsibility for same shall rest with Owner's employed/engaged staff and contractors as overseen and directed by the Administrator.

(b) **Owner's Employees.** Management Consultant shall have direct interaction and communication with Owner's Administrator but shall not be expected to directly or indirectly supervise Owner's services providing staff. Owner shall be responsible for, and Management Consultant shall be prohibited from, making employment-related decisions relating to Owner's employees, but Management Consultant shall make recommendations pertaining thereto to the Owner through Owner's Administrator.

(c) **Commencement of Services.** Management Consultant shall begin providing services when this Agreement becomes effective and shall continue to provide services through termination of the Agreement for whatever reason.

(d) Cooperation in Litigation. In the event that an action is brought, whether by an employee, a Patient, a Patient's estate or representative, or a governmental agency for acts or omissions pertaining to the operations of the Nursing Home, which action names Management Consultant, a Management Consultant Affiliate, and/or any of their stockholders, directors, members, officers, employees, and/or other agents as a defendant, Owner agrees to cooperate with Management Consultant in Management Consultant's motion to dismiss the action as to Management Consultant on the ground that Management Consultant does not manage or control Owner, any of Owner's employees, the operations of the Nursing Home, or any services provided by Owner to Patients, and Owner shall provide, in support of such motion to dismiss, an affidavit stating that Management Consultant neither manages nor controls, in any manner or to any degree, Owner, any of Owner's employees, the operations of the Nursing Home, or any services provided by Owner to Patients. Owner hereby waives any right it may have, if any, that pursuing such motion to dismiss presents a conflict of interest for Management Consultant.

(e) Scope of Services. The scope of the services provided by Management Consultant shall be defined only by the terms and provisions of this Agreement, and the choice of Owner, of any of Owner's other consultants, or of any of Owner's principals, employees, or other agents to act or not act in any given situation relating to the operation of the Nursing Home shall not have the effect of increasing, expanding, or otherwise amplifying the obligations of Management Consultant as embodied in this Agreement.

2.3 Indemnity. Management Consultant and Owner shall each be responsible for their own acts and omissions in the performance of their duties hereunder and the acts and omissions of their own employees and agents, and shall indemnify and hold harmless the other party from and against any and all claims, liabilities, causes of action, losses, costs, damages, and expenses (including reasonable attorney's fees) incurred by the other party as a result of such acts or omissions. Such responsibilities shall be defined strictly by and limited to the terms of this Agreement.

ARTICLE III

AUTHORIZATION OF MANAGEMENT CONSULTANT SERVICES

3.1 Administrative Services. Management Consultant is authorized, in accordance with the Operating Plan, to provide the following administrative services for Owner:

(a) Service Contracts. Management Consultant shall (i) enter Owner into or renew, in the name of and at the expense of Owner, contracts ("Service Contracts") for electricity, gas, water, telephone, cleaning, fuel oil, elevator maintenance, vermin extermination, trash removal, linen service, and other services that in the opinion of Management Consultant are needed by Owner in the ordinary course of the operation of the Project; (ii) purchase, in the name of and at the expense of Owner, all supplies and equipment that in the opinion of Management Consultant are necessary to maintain and so operate the Project; and (iii) credit to Owner any discounts, rebates, or commissions obtained for purchases or otherwise. Prior approval by Owner is not required for any new Service Contract with a term of one (1) year or less and/or that provides for termination by Owner (without the payment of premium or penalty) upon ninety (90) days' or less written notice.

The Administrator shall be responsible for the day to day supervision of all Service Contract services.

(b) Maintenance and Repair. Management Consultant shall maintain or cause to be maintained, both at Owner's expense, the Improvements and grounds of the Project. Such maintenance shall include, without limitation, interior and exterior cleaning, painting, decorating, plumbing, carpentry, and other normal maintenance and repair work.

(c) Collection. Management Consultant shall assist facility staff in their efforts to request, demand, collect, and receive all charges due from Patients and otherwise due Owner with respect to the Project.

(d) Project Expenses; Mortgage Loans. Management Consultant shall, utilizing Owner's funds and at Owner's expense, pay all Project Expenses, if reasonably possible, on or before the date (the "Due Date") after which interest or penalty will begin to accrue thereon; provided, however, that Management Consultant shall be further authorized to contest, if and to the extent appropriate, the payment of any Project Expense (or portion thereof) that Management Consultant has reasonable grounds to believe on the basis of the facts and information actually known to Management Consultant should be contested. Contest expenses shall be included as Project Expenses. Any interest or penalty that accrues and may thereafter become payable with respect to such Project Expense shall itself be a Project Expense regardless of cause.

(e) Reports. Management Consultant shall, as soon as reasonable and practicable each month, render to the Administrator and to any other person or entity designated by Owner a statement of income and expenses showing the results of operation of the Nursing Home for the preceding month and of the Fiscal Year to date. As soon as reasonable and practicable after the end of each Fiscal Year, Management Consultant shall deliver to Owner profit and loss statements showing Project Income, Project Expense, the results of operations for that Fiscal Year, and a balance sheet of the Project as of the end of that Fiscal Year, prepared on an accrual basis in accordance with generally accepted accounting principles consistently applied. All such monthly reports shall be in the format normally utilized by Management Consultant. If so instructed by Owner, Management Consultant shall, at Owner's expense, have prepared and delivered to Owner audited financial statements within one hundred and eighty (180) days after the close of each Fiscal Year. Management Consultant shall, upon reasonable notice from Owner, prepare and submit to Owner such other reports, certificates, or representations as Owner may reasonably request concerning such matters relating to the Project as are within the scope of Management Consultant's services provided for in this Agreement. If any such additional reports or alternate report formats requested by Owner require, in Management Consultant's sole discretion, Management Consultant to engage auditors or other professionals to assist Management Consultant in designing or preparing such report, or require, in Management Consultant's sole discretion, Management Consultant's employees to expend substantial amounts of additional time designing or preparing such report, then Owner shall promptly reimburse Management Consultant for the reasonable actual cost to Management Consultant of engaging such consultants, auditors, or other professionals, or of such time expended by Management Consultant's employees.

(f) Records. Management Consultant shall, at Owner's expense, maintain, at the address for Management Consultant provided for in Section 10.2 of this Agreement, or such other place or places as Management Consultant may deem appropriate, a system of office records, books,

and accounts, including, without limitation, copies of all reports filed pursuant to subsection (e) above and any additional information or records reasonably required by Owner for the preparation of federal, state, and local tax returns, all in a manner reasonably satisfactory to Owner. Owner and others designated by Owner, including Owner's auditors and accountants, shall have, upon reasonable notice to Management Consultant and during normal business hours, access to and the right to audit and make copies of such records, accounts, books, and all vouchers, files, and other material pertaining to the Project and this Agreement, all of which Management Consultant shall take reasonable steps to keep safe and available to Management Consultant and Owner and all of which shall be owned by Owner and stored at Owner's expense of storage space.

(g) Legal Proceedings. Management Consultant shall arrange for the institution, prosecution, and/or defense of, in the name and at the expense of Owner, such actions and proceedings necessary to effect the purposes, perform the services, and take the actions contemplated by this Agreement, including without limitation, actions (i) to evict Patients in default; (ii) to recover possession of rooms occupied by such Patients; (iii) to sue for and recover charges and other damages due from Patients and Residents and other persons obligated to Owner or Management Consultant in connection with the Project; (iv) to settle, compromise, and release any such actions or suits or reinstate such Patients; and (v) sign and serve in the name of Owner notices and other communications relating to any of the foregoing matters.

(h) Process Insurance Claims. Management Consultant shall, at Owner's expense, process or cause to be processed all claims under any insurance coverages pertaining to the Project in an expeditious manner, so as to minimize delay in receipt by the Project of the proceeds of such insurance.

(i) Maintenance of Licenses. Management Consultant shall assist Owner and Owner's staff in obtaining and maintaining all licenses, certifications, and permits required for operation of the Project, such as contracts with fiscal intermediaries and agencies and eligibility for participation in medical reimbursement programs. All licenses, certificates, and permits shall be obtained and maintained in the name and at the expense of the Owner. All cost and other reports prepared shall be an expense of Owner.

(j) Reimbursement Schedules. Management Consultant shall, at Owner's expense, (i) develop price and reimbursement schedules; (ii) obtain approval of appropriate price schedules by government agencies and appropriate reimbursement schedules from third-party paying agencies; (iii) provide statistical, financial, and other data necessary to obtain reimbursement from the appropriate agencies; and (iv) effect final settlement of all claims for reimbursement.

3.2 Quality Assurance Consulting Services. Management Consultant shall consult periodically with the Administrator and other department heads of the Nursing Home to develop and maintain quality assurance policies and procedures for the Nursing Home. The quality assurance policies and procedures developed by the Management Consultant shall be provided to the Administrator for implementation at the Nursing Home. Notwithstanding the foregoing, Management Consultant shall not be responsible for implementation of, or adherence to, such policies and procedures by the Administrator, department heads, or other employees of the Nursing Home.

3.3 Extraordinary Services. Whenever Owner reasonably determines that a service not included in the basic services required to be rendered by Management Consultant pursuant to the Agreement (and not constituting an emergency) is necessary or desirable for the efficient operation of the Nursing Home (collectively, the “Extraordinary Services”), Owner may request that Management Consultant perform the Extraordinary Services in accordance with directions of Owner as to the performance thereof and the amount to be expended by Owner therefor. Extraordinary Services may include:

(a) Major Repairs. Coordination and supervision of out of the ordinary major repairs, replacements, and alterations to the Nursing Home.

(b) Compliance with Legal Requirements. Consultation regarding the Nursing Home’s compliance with any and all orders or requirements affecting the Project by any federal, state, county, municipal, or other governmental authority having jurisdiction thereover.

(c) Tax Abatement and Eminent Domain. Consultation regarding the negotiation or prosecution by Owner of claims for the abatement of property and other taxes affecting the Nursing Home and for awards for taking by eminent domain affecting the Nursing Home.

(d) General. Performance of any other services, acts, items, or matters relating to or affecting the Nursing Home that are or may be desirable or necessary for the efficient operation thereof and that are not otherwise included within the services required by this Agreement.

3.4 Expense of Owner. All Project Expenses shall be the sole obligation of Owner, including, but not limited to, expenses incurred by Management Consultant and/or a Management Consultant Affiliate in good faith expectation of reimbursement from Owner. Notwithstanding any other provision of this Agreement to the contrary, Management Consultant shall not be obligated to make any advance to or for the account of Owner or to pay any sums, except out of Owner’s funds held in any Owner account maintained under Article VI, nor shall Management Consultant be obligated to incur any liability or obligation for the account of Owner.

ARTICLE IV

INSURANCE

4.1 Owner’s Insurance. Management Consultant is authorized to use reasonable efforts to obtain in Owner’s name, and naming Management Consultant as additional insured, and all policies at Owner’s expense, and, if reasonably available, keep in force during the term of this Agreement, as close as reasonably possible the following configuration of insurance coverages:

(a) comprehensive general liability and medical malpractice insurance, with broad form comprehensive endorsement, protecting and indemnifying Owner against claims for injury to or death of persons or damage to or destruction of property occurring upon, in, or about the Project and the adjoining streets (other than streets dedicated to and accepted for maintenance by the public). Such insurance shall (i) afford immediate protection to the limit of not less than \$1,000,000 combined single limit bodily injury and property damages and medical malpractice coverage of not less than \$1,000,000; (ii) be issued on an “occurrence basis” (or its substantial equivalent, such as a

“claims made” policy with appropriate tail coverage) and be endorsed specifically to include within its scope of coverage all liabilities and indemnities for which Owner is obligated and liable under the terms of this Agreement; and (iii) not provide for a self-insured retention in excess of \$100,000;

(b) worker’s compensation insurance with statutory and employee’s liability insurance;

(c) employee’s fidelity insurance in the amount of \$500,000;

(d) auto liability insurance covering motor vehicles owned or hired by Owner, protecting and indemnifying Owner against claims for the injury to or death of persons or damage to or destruction of property. Such insurance shall afford immediate protection to the limit of not less than \$250,000 for injury or death of each person; \$500,000 for injury to or death of persons for each occurrence; and \$100,000 for damage to or destruction of property;

(e) fire and extended coverage insurance on the Project and its components and contents against loss or damage by fire and other casualties covered under such form of policy, in an amount not less than the full replacement cost of the Project. In the event such insurance provides for a self insurance retention or a deductible amount, such self-insurance retention or deductible amount shall not exceed \$25,000; and

(f) such other coverages, in such amounts as shall be recommended and reasonable for the protection of Owner and Management Consultant.

Such insurance shall, if reasonably possible, be written by companies that are nationally recognized and shall be selected in good faith by Management Consultant. The policies shall name Owner as the insured and Owner’s affiliates, stockholders, directors, officers, and/or agents as additional insureds, and Management Consultant and Management Consultant’s affiliates, stockholders, directors, officers, and/or agents as additional insureds.

4.2 Policies. Management Consultant shall use reasonable efforts to ensure that each policy referred to in Section 4.1 above shall:

(a) provide that it will not be canceled, amended, or reduced except after not less than thirty (30) days’ written notice to Owner and Management Consultant;

(b) provide that such insurance shall not be invalidated by any act or negligence of Owner or Management Consultant or any person or entity having an interest in the Project, by any foreclosure or other proceedings or notices thereof relating to the Project, or by any change in title to or ownership of the Project; and

(c) include a waiver of all rights of subrogation against Management Consultant and Owner, their respective officers, directors, shareholders, constituent partners, employees, and agents.

Management Consultant shall deliver to Owner certificates of insurance evidencing the existence of all insurance required to be maintained for Owner, such delivery to be made:

(a) within ten (10) days after the execution and delivery of this Agreement; and

(b) at least ten (10) days prior to the expiration date of any such insurance policy.

4.3 Cooperation. Management Consultant and Owner each shall furnish to the other whatever information is reasonably requested by the other for the purpose of obtaining the insurance coverages required hereunder.

4.4 Other Contractor's Insurance. Pursuant to the program of insurance for the Project, Management Consultant shall assist Owner's staff in making reasonable attempts to require that each Nursing Home Contractor maintain insurance at the Nursing Home Contractor's expense.

4.5 Management Consultant's Authority to Cancel Policies. Owner hereby acknowledges that Management Consultant procures group insurance coverage for a variety of client facilities and that as a condition of financing the premiums for such group coverage, it often has had to agree that any default of one client facility may result in the cancellation of the policies for all client facilities. Owner therefore acknowledges, agrees, and authorizes Management Consultant to preempt an imminent default by Owner with respect to Owner's insurance coverage by canceling the Nursing Home's insurance policy if it appears, in Management Consultant's sole discretion, that Owner will be unable or unwilling to pay Owner's premium when due. In addition, it is understood by the parties that Management Consultant may terminate Owner's insurance coverage upon termination of this Agreement.

ARTICLE V

BANK ACCOUNTS

5.1 Operating Account. Management Consultant is authorized for and on behalf of Owner to establish an operating account for the Project at an FDIC insured bank to deposit all Project Income therein, and to pay all Project Expenses therefrom. The authorized signatory on such account shall be designated by Management Consultant.

5.2 Operating/Working Capital. Owner shall be obligated to provide any and all operating/working capital needed by Project to pay all Project Expenses, including debt service payments. Owner agrees to provide the Project a bank operating line of credit, secured by the Project's accounts receivable and in an amount not less than 80% of Project's accounts receivable balance. Said line of credit shall be perpetually available to the Project, may only be utilized to pay Project Expenses, may only be drawn by Management Consultant and then only into the Operating Account of Owner.

5.3 Right to Collect Payments to Management Consultant. Management Consultant shall be entitled to and is hereby authorized to disburse from the Operating Account to itself the accrued amounts due to Management Consultant pursuant to this Agreement. To the extent funds are not immediately available in the Operating Account to pay same, such amounts due to Management Consultant shall accrue interest at a rate of seventy-nine one hundredths of one percent (0.79%) per month, and shall be payable as provided in Article VII hereof.

ARTICLE VI

CONSULTING FEE AND ADDITIONAL PAYMENTS

6.1 Consulting Fee; Cost Center Allocations; Mobilization Fee. During the term of this Agreement, Owner shall pay Management Consultant, in the manner provided below, Consulting Fees equal to five percent (5%) of the Project Income during the year concerned. Project Income for purposes of this Section 6.1 shall not include income adjustments relating to periods of time dating prior to the Effective Date. In addition, Owner shall pay Management Consultant its pro-rata share of Service Center Expenses, as defined in Section 1.14 above. In addition, Owner shall pay a one-time Mobilization Fee to Management Consultant pursuant to Section 6.6 below.

6.2 Payment of Consulting Fee and Service Center Allocations. The Consulting Fee shall be due on the twentieth day of each month following the immediately preceding month, and shall be calculated by multiplying the prior month's Project Income by five percent (5%). Income adjustments relating to periods of time dating prior to the Effective Date shall not be included in Project Income for purposes of this Section 6.2. Owner's pro-rata share of Service Center Expenses shall be billed following the end of each month, and Owner shall pay such billed amount within ten (10) days of Owner's receipt of each invoice.

6.3 Annual Payment Adjustment. Within fifteen (15) days after the delivery of the annual financial statements of the Project, Owner shall pay to Management Consultant or Management Consultant shall pay to Owner such amount as is necessary to make the amount of Consulting Fees paid with respect to the year equal to the amount of Consulting Fees shown to be due by the annual statements of Owner and Management Consultant and in accordance with Sections 6.1 and 6.2 hereof.

6.4 Temporary Staffing Assistance. Should Project need a temporary staffing placement and should Management Consultant, in its sole judgment, determine that Management Consultant has staff available to fill the Project's temporary staffing need, Management Consultant may do so and same service shall be at an additional charge to Owner. The charge for the temporary staffing placement shall be Management Consultant's total costs including but not limited to all direct costs and overheads plus a fifty percent (50%) markup. Owner shall pay such temporary staffing assistance charges as Project Expenses within thirty (30) days of receiving an invoice for same from Management Consultant.

6.5 Project Expenses Incurred by Management Consultant. Owner understands and agrees that certain of Owner's Project Expenses, as a convenience to Owner, will be incurred by Management Consultant on behalf of Owner. Some examples of such items are: staff recruitment advertising, other advertising, software access charges, check stock, postage, travel arrangements for Owner staff, facility's stationary/business cards/brochures/envelopes and other mailing supplies, insurance premiums, copies, telephone, dues and subscriptions, CPA firm services, legal services, payroll processing firm charges, education and seminar arrangements, staff recruiter firm services, customer relations phone center and mystery shopper services, bank service charges for Project accounts, rental charges to store Owner's records, etc. Owner agrees that all such Owner Project Expenses incurred by Management Consultant shall be promptly reimbursed to Management Consultant from the Operating Account.

6.6 Mobilization Fee. Owner shall pay to Management Consultant a one-time fee in the amount of Thirty Thousand Nine Hundred Twenty-Four Dollars (\$30,924) (the "Mobilization Fee"). The Mobilization fee shall be paid to Management Consultant in six equal monthly installments of Five Thousand One Hundred Fifty-Four Dollars (\$5,154) beginning on the date that is thirty (30) days after the Effective Date and continuing every thirtieth day thereafter until paid in full.

ARTICLE VII

TERM

7.1 Term. This Agreement shall commence on the Effective Date and shall thereafter continue for a period of seven (7) years and automatically renew for successive seven-year terms unless otherwise terminated pursuant to the terms hereof.

7.2 Optional Termination. Owner or Management Consultant may terminate this Agreement, with or without cause, upon three full and complete calendar months' written notice to the other, at any time during the term hereof. No notice of termination shall be given prior to the Effective Date. No termination permitted hereunder shall affect or prejudice Management Consultant's right to receive payments for Consulting Fees, Service Center Allocations, and the Mobilization Fee that accrue pursuant to this Agreement along with related interest charges that were accrued through the date of the termination notice and that subsequently accrue during the notification period and thereafter until Management Consultant is paid in full.

7.3 Termination Upon Default. Either Party hereto may terminate this Agreement upon the uncured default of the other Party. The following shall constitute events of default:

(a) The filing of a voluntary petition in bankruptcy or insolvency or a petition for reorganization under any bankruptcy law by either Owner or Management Consultant;

(b) The consent to an involuntary petition in bankruptcy or the failure by either Owner or Management Consultant to vacate within ninety (90) days from the date of entry thereof any order approving an involuntary petition;

(c) The entering of an order, judgment, or decree by any court of competent jurisdiction, on the application of a creditor, adjudicating either Owner or Management Consultant as bankrupt or insolvent or approving a petition seeking reorganization or appointment of a receiver, trustee, or liquidator of all or a substantial part of such Party's assets, which order, judgment, or decree shall continue unstayed and in effect for a period of one hundred twenty (120) consecutive days;

(d) The failure or refusal of Owner to provide funds necessary to pay Project Expenses;

(e) The failure of either Owner or Management Consultant to perform, keep, or fulfill any of the covenants, undertakings, obligations, or conditions set forth in this Agreement and the continuance of any such failure for a period of thirty (30) days after written notice of said failure;

If either Party hereto desires to terminate this Agreement as a result of any such event of default by the other Party hereto, the non-defaulting Party shall first give to the defaulting Party notice (a "Final Notice") of its intention to terminate this Agreement. After the expiration of a period of thirty (30) days from the date of such notice, and upon the expiration of such thirty (30) day period, this Agreement shall terminate. If, however, upon receipt of such final notice, the defaulting Party cures the default within said thirty (30) day period (or, if the default is other than as referred to in subsections (d) or (e) above, such longer period as is reasonably necessary to remedy such default, provided the defaulting Party shall commence curative efforts as soon as reasonably practicable and pursue such remedy with all due diligence until such default is cured), then this Agreement shall not terminate by reason of such Final Notice. Notwithstanding the provisions of this Section, in no event shall either Party be obligated to deliver more than two (2) such Final Notices with regard to events of default listed herein to the other Party hereto within any consecutive twelve (12) month period or one Final Notice with regard to an event of default substantially similar in nature to an event of default occurring within the previous twelve (12) months, and upon the third (or second, as applicable) such default by the other Party hereto within such twelve (12) month period, and after the notice provided above for such third (or second, as applicable) default has been given and the curative period applicable thereto has lapsed, then the non-defaulting Party may terminate this Agreement without giving a Final Notice.

7.4 Effect of Termination. Upon termination of this Agreement, Management Consultant shall forthwith:

(a) Surrender and deliver up to Owner any and all Project Income in the operating account less the amounts accrued and/or due to Management Consultant through the termination date, as provided in this Agreement;

(b) Deliver to Owner as received any monies due Owner under this Agreement but received by Management Consultant after such termination;

(c) Deliver to Owner all materials, supplies, keys, contracts and documents, plans, specifications, promotional materials, and such other accountings, papers, and records pertaining to the Nursing Home;

(d) Deliver to Owner a final accounting of the Project prepared in accordance with the provisions of Section 3.1(e) up to and including the date of termination;

(e) Cease the performance of all services authorized to be performed by Management Consultant under this Agreement, including without limitation, providing Owner access to Service Center Expenses;

(f) Cooperate, within reason, with Owner for Owner to undertake responsibilities allocated to Management Consultant by this Agreement.

(g) Remove from the Nursing Home all proprietary tools including, but not limited to, manuals, policies, procedures, forms, computers, software, equipment, etc. of any nature whatsoever that were created by or otherwise are the property of Management Consultant and further, Owner hereby agrees not to utilize, duplicate or in any way share any of Management Consultant's proprietary tools, methods, systems, etc. following termination of this Agreement.

(h) Remove from the Nursing Home all other property belonging to Management Consultant or assigned by Management Consultant temporarily to Nursing Home during the term of this Agreement.

Upon termination of this Agreement for any reason, Management Consultant's right to receive Consulting Fees, Service Center Allocations, the Mobilization Fee, and Project Expense reimbursements that accrue under the terms of this Agreement, including any interest thereon, shall survive such termination and continue in force and effect, and Owner shall be obligated to promptly make such payments to Management Consultant.

ARTICLE VIII

CASUALTY; CONDEMNATION

8.1 Total or Substantial Destruction. If the Project or any portion thereof is damaged or destroyed at any time or times during the term of this Agreement by fire, casualty, or any other cause that renders the Project totally or substantially inoperative for its intended purpose, and if Owner does not notify Management Consultant within three (3) months following the occurrence of such damage or destruction that Owner intends to rebuild or replace the same to substantially its former condition prior to such damage or destruction, this Agreement shall terminate as of the date of the damage or destruction with each Party's rights accruing through such date. If Owner notifies Management Consultant within three (3) months following the occurrence of such damage or destruction that Owner intends to rebuild or replace the Project and does rebuild or replace the Project within a reasonable time, this Agreement shall continue in full force and effect except that the term hereof shall be extended for the period of time equal to that period during which the Project is inoperative.

For purposes of this Agreement, total destruction or damage "that renders the Project totally or substantially inoperative for its intended purpose" shall mean damage or destruction that, according to an engineer selected by Owner and Management Consultant (each party agreeing to cooperate reasonably in such selection), could not reasonably be expected to be repaired or restored within twelve (12) months after the occurrence of such damage or destruction, so that at such time the Project will be restored substantially to the condition in which it existed prior to such damage or destruction, with services and amenities substantially equivalent to those which existed prior to such damage or destruction.

8.2 Partial Damage or Destruction. If the Project is damaged or partially destroyed in such a manner as to not totally or substantially render the Project inoperative for its intended purpose (as defined in Section 8.1 above), this Agreement shall remain in full force and effect as to that portion of the Project not so damaged or destroyed, with an appropriate abatement in the services to be performed by Management Consultant as to such damaged or destroyed portion,

except that if Owner does not notify Management Consultant within three (3) months following the occurrence of such damage or destruction that Owner intends to repair or replace the portion of the Project that was damaged or destroyed, Management Consultant shall have the option, upon thirty (30) days' notice to Owner, to terminate this Agreement, such termination to be effective upon the expiration of said thirty (30) day period, and thereafter Management Consultant shall have no claim against Owner (except as provided in Section 7.4 above) arising from such failure to rebuild and such termination.

8.3 Condemnation. If the whole or substantially all of the Project is condemned or taken in any manner for any public or quasi-public use under any statute or by right of eminent domain, then this Agreement shall terminate as of the date of vesting of title thereto in the condemning authority, with each Party's rights accruing through such date. If a part of the Project is so taken or condemned, and if such taking substantially affects the Project, or if such taking is of a substantial part of the Project, Management Consultant shall have the right, by delivery of notice to Owner within sixty (60) days after such taking, to terminate this Agreement as of the date of the vesting of title thereto in the condemning authority, with each Party's rights accruing through such date. If Management Consultant does not so elect, this Agreement shall remain unaffected by such taking, except that, effective as of the date of such taking, appropriate abatement shall be made in the services to be performed by Management Consultant as to such taken area of the Project.

For purposes of this Agreement, the condemnation or taking of the "whole or substantially all of the Project" shall mean the condemnation or taking (or conveyance in lieu thereof) of a material portion of the Project, such that the Project ceases to be a first-class Nursing Home, ceases to have adequate available parking or access, or ceases to have services and amenities substantially similar to those existing immediately prior to such condemnation or taking (or conveyance in lieu thereof).

ARTICLE IX

MISCELLANEOUS

9.1 Notices. All notices, directives, or demands required by this Agreement shall be in writing and shall be sent by registered or certified mail, return receipt requested, postage prepaid, or by overnight courier service (*e.g.*, Federal Express, Airborne, or Network Courier) and overnight courier shall be used when the circumstances merit expedient delivery, addressed, in the case of Management Consultant to (a) 2020 Northpark, Suite 2D, Johnson City, Tennessee 37604, Attention: General Counsel, and (b) 7633 131st Street N., Seminole, FL 33776, Attention: President, and in the case of Owner to _____, Attention: _____ (Owner's agent), or to such other address or addresses as shall, from time to time, be designated by notice by either Party to the other Party. Notices given in compliance with the foregoing provisions by registered or certified mail shall be effective on the date shown on the return receipt thereon as the date of delivery or attempted delivery, and notices sent by overnight courier shall be effective on the date shown on the courier's receipt therefor as the date of delivery.

9.2 Entire Agreement. This Agreement shall constitute the entire agreement between the Parties hereto and shall supersede all other prior agreements, written or oral, between the Parties hereto and relating to the Project. No modification hereof shall be effective unless made by

supplemental agreement in writing executed by Owner and by the President of Management Consultant.

9.3 Nature of Contract. Neither the relationship between Owner and Management Consultant nor anything contained in this Agreement shall be deemed to constitute a partnership, joint venture, or any other similar relationship, and Management Consultant shall at all times be deemed an independent contractor for purposes of this Agreement, and shall at all times be deemed a consultant and not the Project operator.

9.4 Governing Law. This Agreement is made pursuant to, and shall be governed by and construed in accordance with, the laws applicable to contracts made and to be performed in the State of Tennessee.

9.5 No Waiver; Cumulative Remedies. The failure of Owner or Management Consultant to seek redress for violation or to insist upon the strict performance of any covenant, agreement, provision, or condition of this Agreement shall not constitute a waiver of the terms of such covenant, agreement, provision, or condition, and Owner and Management Consultant shall have all remedies provided herein and by applicable law with respect to any subsequent act that would have originally constituted a violation.

9.6 Severability. If any provision of this Agreement is determined to be illegal or unenforceable, such determination shall not affect any other provision of this Agreement, and all such other provisions shall remain valid and in full force and effect.

9.7 Assignability. Other than an Assignment by the Owner to an affiliate of the Owner, no assignment shall be permitted without the prior written consent of Management Consultant, which shall not be unreasonably withheld. Any assignment of this Agreement shall be binding upon and inure to the benefit of the successor or assignee of Owner, but no such assignment shall release Owner from its obligations hereunder.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

OWNER:

By: _____

Name: _____

Title: _____

Date: _____

MANAGEMENT CONSULTANT:

CARE CENTERS MANAGEMENT
CONSULTING, INC.,

By: _____
Laura S. Woods, Vice President of Legal Affairs

Date: _____

CONTRACT FOR SALE OF REAL ESTATE

THIS CONTRACT is made and entered into by and between **Citizens Bank**, a Tennessee corporation, ("Seller") and **Bristol Real Estate Investors, LLC** a Tennessee limited liability company, ("Buyer") and their respective heirs, successors and assigns.

WITNESSETH

For the consideration set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **SALE OF PROPERTY.** Seller agrees to sell, and Buyer agrees to purchase certain real estate located in Sullivan County, Tennessee, consisting of approximately 5.115 acres, more or less, which real estate fronts State Route 394, as referenced in the Trustee's Special Warranty Deed recorded in Book 2965C and Page 0449 and referenced as LOT 1 in the survey attached as Exhibit A (the "Property"). The Property will be more particularly described after receipt of a survey and the description will be supplemented according to the survey.

2. **CONSIDERATION.** Buyer agrees to pay for the property the sum of exactly **Four Hundred Thousand and No/100 dollars (\$400,000.00)** (Purchase Price"), payable as follows:

A. Twenty-five thousand and No/100 Dollars (\$25,000.00) upon execution by Seller of this contract as earnest money ("Earnest Money"); held by Brandt and Beeson, P.C., 206 Princeton Road, Suite 25, Johnson City, TN 37601. Except as otherwise provided below, all Earnest Money shall become non-refundable upon Buyer's receipt of a final, non-appealable certificate of need issued to the operator of a one-hundred-twenty (120) bed skilled nursing facility on the Property.

B. The balance in cash, cashier's check or wire transfer at Closing.

3. **DUE DILIGENCE PERIOD.** Buyer will, at Buyer's expense and within 180 days from the last date of signing of this Contract determine whether the Property is suitable, in Buyer's sole and absolute discretion, for Buyer's intended use and development of the Property ("Due Diligence Period"). During the Due Diligence Period, Buyer may conduct any tests, analyses, surveys and investigations ("Inspections") which Buyer deems necessary to determine to Buyer's satisfaction the Property's engineering, architectural, environmental properties; zoning and zoning restrictions; flood zone designation and restrictions; subdivision regulations; soil and grade; availability of access to public roads, water, and other utilities; consistency with local, state and regional growth management and comprehensive land use plans; availability of permits, government approvals and licenses; absence of soil and ground water contamination; and other inspections that Buyer deems appropriate to determine the suitability of the Property for Buyer's intended use and development. Buyer will deliver written notice to Seller prior to the expiration of the Due Diligence Period of Buyer's determination of whether or not the Property is acceptable. Buyer's failure to comply with this notice requirement will constitute acceptance of the Property in its present "as is" condition. Seller grants to Buyer, its agents, contractors and assigns, the right to enter the Property at any reasonable time during the Due Diligence Period for the purpose of conducting Inspections; provided, however, that Buyer, its agents, contractors and assigns enter the Property and conduct Inspections at their own risk. Buyer will indemnify and hold Seller harmless from losses, damages, costs, claims and expenses of any nature, including reasonable attorneys' fees at all levels, and from liability to any person, arising from the conduct of any and all inspections or any work authorized by Buyer. Should Buyer deliver timely notice that the Property is not acceptable, Seller agrees that the Earnest Money will be fully and immediately returned to Buyer, the Contract terminated, and the parties shall have no further obligations to each other.

Should Buyer, on or before the end of the Due Diligence Period, fail to give written notice of non-acceptability, including the conditions set forth in article 7 herein, then and in that event the Earnest Money shall become non-refundable.

4. TITLE. Seller is, or at the time of closing will be, the owner of good and marketable fee simple title to the Property, free and clear of any liens, mortgages, assessments, pledges security interests, options, encumbrances, easements, tenancies, covenants, restrictions, conditions, charges, agreements, encroachments, and all other encumbrances and exceptions to title whatsoever.

If Buyer's title insurance binder discloses matters or defects in the title to the Property, Buyer shall give Seller written notice of the same and Seller may be allowed a reasonable time, not in excess of thirty (30) days from such notice, within which to cause the matter or defect to be cured. Seller shall, within five (5) days after receipt of notice of defect, notify Buyer of his intentions to cure the defect. If Seller does not so notify Buyer, Seller shall be deemed to have elected not to cure the defect.

In the event Seller elects not to cure any material title defect under this paragraph, or if Seller is unable to cure a title defect after making reasonable efforts to do so, then Buyer may:

- A. elect to accept the defect and proceed to close the transaction; or
- B. Buyer may cancel this contract by notice in writing to Seller whereupon the Earnest Money shall be returned to Buyer, and each party shall be released from further liability to the other.

5. SURVEY. Buyer shall obtain a newly certified survey of the Property prepared by a licensed surveyor. The survey must be sufficient in form and content to allow a title insurance company to waive all matters of survey and must show on its face that the Property is not located within any recognized flood hazard area. If the survey is not acceptable to the title insurance company, or shows material encroachments, and Seller elects not to remedy said survey issues or is unable to remedy said survey issues, then Buyer, within (30) days from receipt of the survey, shall have the right upon written notice to Seller to terminate this Contract, whereupon the Earnest Money (and Second Earnest Money, if on deposit) shall be returned to Buyer, or to close the purchase and sale of the Property regardless of the condition, with an adjustment to the purchase price.

6. TAXES AND ASSESSMENTS. Seller shall pay in full, on or before closing, all real estate taxes which are a lien on the Property as of the date of Closing, whether past due or not, except for current year's real estate taxes, which shall be prorated as of the date of Closing. At Closing Seller shall pay in full all special assessments which are presently owed and other charges which are or may become a lien on the Property whether past due or not.

7. GENERAL REPRESENTATION, WARRANTIES, AND AGREEMENTS OF SELLER. Seller represent, warrants, and agrees as follows as of the date of this contract and the date of closing; which representation and warranties shall survive the closing:

- A. Seller knows of no violation of any laws, municipal ordinances, orders, or other requirements of any governmental entity which affect or might affect the property.
- B. There are currently no lawsuits involving the Property, nor any contingent liabilities involving the property or the continued operation of the Property.
- C. There is no pending or threatened condemnation or similar proceeding affecting the Property or any portion thereof, and Seller has no knowledge that any such action is presently contemplated.
- D. Seller has no information or knowledge that there are any law, ordinances, or restriction, or any changes contemplated therein, or any judicial or administrative action, or any action by adjacent

landowners or natural or artificial conditions upon the Property, or any other fact or condition which would have a material adverse effect upon the Property or its value, which has not been disclosed in writing to Buyer.

E. There are no parties in possession of any portion of the Property.

F. Neither Seller nor the Property is subject to any pending proceedings under any state or federal insolvency or bankruptcy legislation. To Seller's knowledge, no such proceedings, either voluntary or involuntary, are imminent or threatened.

H. To the best of Seller's knowledge, the Property has not been used, and is not presently being used, and will not through the date of the closing, be used for the handling, storage, transportation or disposal of hazardous or toxic materials.

I. To the best of Seller's knowledge, there are currently no underground storage tanks located on the Property.

J. There are no outstanding Notices with respect to the Property, including specifically Notices of Violations or enforcement actions for hazardous or toxic waste cleanup or presence and Seller has no reason to believe that any Notices of Violations will be given or enforcement activities commenced, either by governmental authorities or private individuals or corporations.

8. **CONDITIONS TO CLOSING.** The obligation of Buyer to purchase the Property and to perform Buyer's other obligations hereunder shall be subject to the following conditions, which may be waived, in whole or in part, but only in writing by Buyer:

A. All representations, warranties, and agreements made by Seller herein shall be true and correct in all respects on and as of the date of Closing, with the same force and effect as is made on and as of such date, and Seller shall have performed all covenants and obligations and complied with all conditions required by this Contract in a timely manner.

B. Buyer must be able to obtain a title insurance commitment to issue an ALTA Form B owner's policy of title insurance with no exception.

C. Seller must have furnished Buyer no later than ten (10) days prior to closing with a written certificate executed by the holder of any existing liens, representing and stating the amount of the unpaid principal balance including interest; the balance of all funds and sums owed in order to fully satisfy the obligation secured by any existing lien as of the date of the certificate, and a per diem amount payable after that date in order to satisfy fully said obligations.

D. Buyer is able to obtain an environmental site assessment of the opinion that the Property is not contaminated with hazardous or toxic substances and that no remediation or further investigation is warranted.

E. Buyer shall have received notice from all necessary government agencies indicating that Buyer's applications and/or requests for review have been approved and are considered final by the applicable government agencies, allowing Buyer to proceed with construction of a 120-bed skilled nursing facility on the Property.

In the event any of the conditions set forth above are not satisfied, then at Buyer's option, this Contract may be terminated, and the obligations of the parties to each other under this Contract shall cease.

9. CLOSING. The Closing shall be held on or before the 45th day following the approval of a certificate of need to Buyer as set forth section 8.E herein. Provided, however, that the closing shall in no event be later than 45 days from the end of the 180 day period set forth in paragraph 3 of this Agreement. The Closing shall occur at the office of the closing agent selected by Seller. The Buyer shall provide Seller three (3) days notice prior to Closing.

At Closing, all documents necessary for the conveyance of the Property, the payment of the Purchase Price, and financing arrangements contemplated hereunder, shall be executed and delivered. Said documents shall include, without limitation, the following:

- A. Special Warranty Deed transferring the Property from Seller to Buyer, warranting the property by and through Seller, but not otherwise, subject only to the exceptions set forth herein;
- B. Lien Affidavits, Survey, Surveyor's Certificate, Confirmations, Consents, Approvals, and other documents contemplated by this Agreement, or reasonably required by holder of a First Mortgage Loan
- C. Any other documents reasonably required by Buyer.

10. CLOSING COSTS AND ADJUSTMENTS.

- A. Seller shall be responsible for the cost of preparing the Special Warranty Deed;
- B. Buyer shall be responsible for the costs of inspecting the Property, the cost of title insurance and documentary stamps, costs of completing all other due diligence requirements;
- C. At Closing, the following adjustments between the parties shall be made as of 12:01 a.m. on the date of Closing.
 - (i) City, State, and County real and personal property ad valorem taxes shall be apportioned as of the date of Closing. If the amount of such taxes for the year in which the closing occurs cannot reasonably be determined, the apportionment shall be based upon the amount of taxed for the next preceding tax year, and later adjusted. Provided, however, such adjustment must be requested in writing by the party so requesting such adjustment within one year from the date of Closing; otherwise, no adjustment shall be made and no obligation to make an adjustment shall exist.
- D. Each party shall bear its own real estate commissions, attorneys' fees and costs.

11. CONDEMNATION. If any portion of the Property shall be condemned or otherwise taken through any power of eminent domain prior to Closing, or if proceeding to condemn or otherwise take any portion of the Property are commenced prior to Closing, Buyer may elect:

- A. to terminate this Contract, whereupon the Earnest Money shall be refunded to Buyer, and Buyer and Seller shall be relieved of further obligations, hereunder, or
- B. to purchase the Property under the terms of this contract, whereupon Seller shall be required to assign to Buyer at Closing, all of the Seller's right, title and interest with respect to any condemnation or other governmental action to condemn or take any portion of the Property.

12. OFFER AND ACCEPTANCE. Buyer by signing this Contract hereby offers to purchase the Property from Seller on the terms and conditions set out herein. Acceptance of this offer by the Seller may only be made by actual delivery to Buyer of an executed original (via the methods of delivery provided in Section 13 herein) of this Agreement signed by Seller. The date of acceptance shall be the date on which Buyer receives the Agreement

executed by the Seller. Buyer may revoke this offer at any time prior to Buyer's receipt of Seller's formal executed acceptance of this Agreement.

13. NOTICE. Any notice to be given under this Contract shall be deemed given if provided by electronic communication, facsimile, overnight delivery, or U.S. mail—postage pre-paid to the following:

To SELLER:
Citizens Bank
300 Broad Street
Elizabethton, TN 37643
Attention: Kevin Jessee
Facsimile: (423) 989-4449
Email: kevin.jessee@citizensbank24.com

To BUYER:
Bristol Real Estate Investors, LLC
2020 Northpark, Suite 2D
Johnson City, TN 37604
Attention: Vice President of Legal Affairs
Facsimile: (423) 975-5405
Email: lwoods@carecenters.net

14. MISCELLANEOUS.

A. This Contract constitutes the sole and entire agreement between Buyer and Seller. No modification hereof shall be binding unless made in writing and executed by Buyer and Seller. No representations, promises, or inducements not included in this Contract, or any verbal modification or amendment hereof, shall be binding upon Buyer and Seller, and their respective heirs, successors, assigns, beneficial owners and representatives.

B. Time is of the essence of this Contract.

C. The validity, construction and interpretation of this Contract shall be determined in accordance with the laws of the State of Tennessee.

D. The captions used in this Contract are for purposes of convenience only shall not be construed or interpreted so as to limit or define the effect of this Contract.

E. All agreements, representation, and warranties of the Seller contained in this Contract shall survive the Closing of this transaction.

F. This Contract may be executed in several counterparts, each of which shall be deemed an original, and all such counterparts together shall constitute one and the same instrument.

G. Buyer may waive any provision hereunder which is a condition to Buyer's performance and may elect to close the transaction.

H. Seller certifies, represents, and warrants, under penalty of perjury, that Seller is not a foreign person or nonresident for purposes of Section 1445 of the Internal Revenue Code, or any related provisions, and Seller will execute such further certifications with respect thereto as Buyer may require.


I. Buyer may assign this Agreement with all rights terms & conditions hereunder to any individual, corporation, or limited liability company which has the same ownership structure of the Buyer, but not otherwise.

J. Time Limit of Offer- This offer must be countered or accepted by 5:00 p.m. Eastern on the _____ day of March, 2014, or it will become null and void.

IN WITNESS WHEREOF, the parties have executed this agreement as of the date set forth below.

SELLER:


Citizens Bank

By: , E.V.P.
Kevin L. Jesse
Executive Vice President

Date: 3-25-14

BUYER:

Bristol Real Estate Investors, LLC

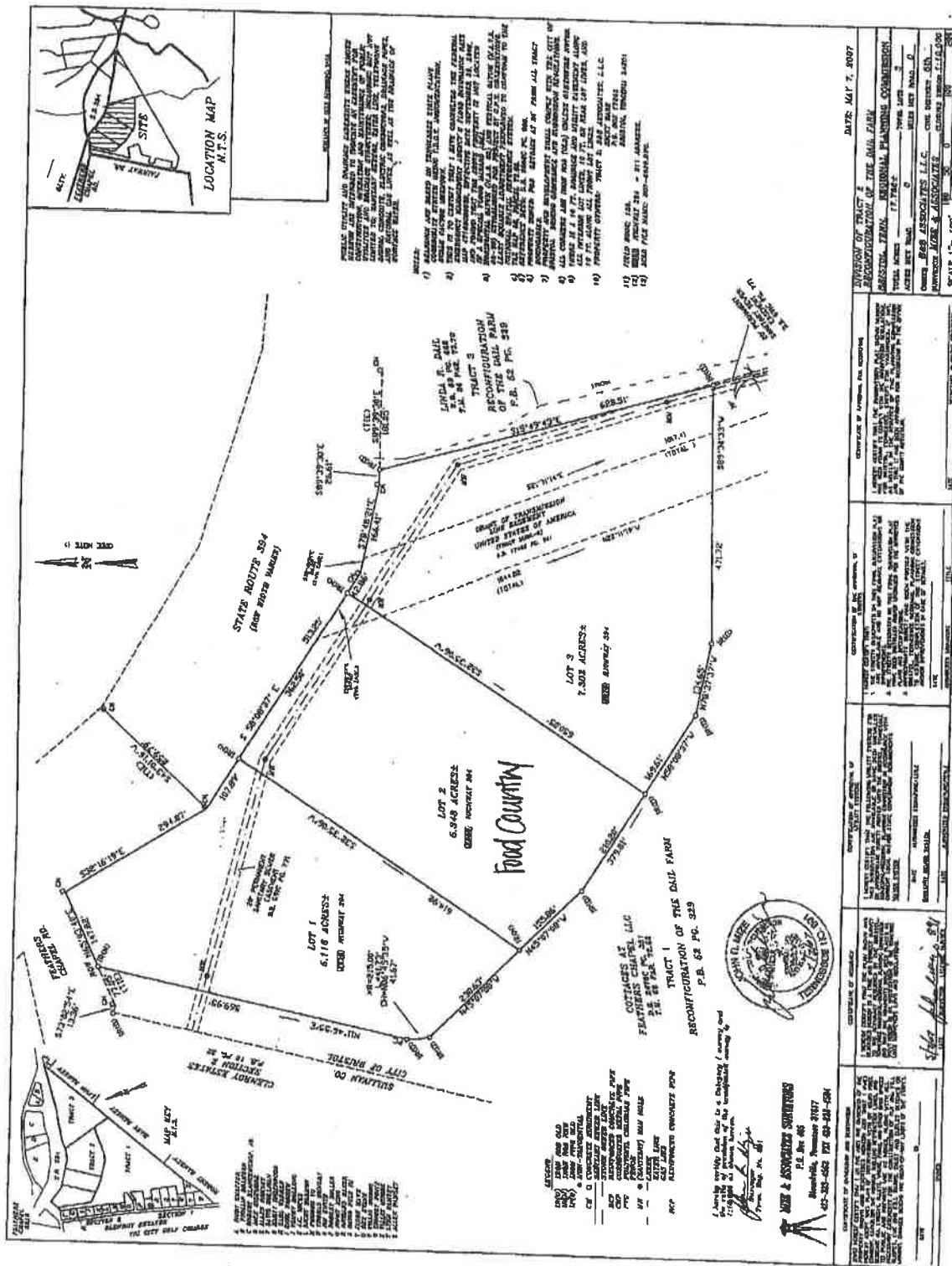
By: 
J.R. Lewis
Chief Manager

Date: 4-1-14

"EXHIBIT A"

Contract for Sale of Real Estate - LOT 1

Bristol Real Estate Investors, LLC (Buyer)



LEASE

THIS LEASE ("Lease" or "Agreement"), dated as of April 1st, 2014, is made and entered into by and between **BRISTOL REAL ESTATE INVESTORS, LLC**, a Tennessee limited liability company ("Lessor"), and **CHRISTIAN CARE CENTER OF BRISTOL, LLC**, a Tennessee limited liability company ("Lessee").

WITNESSETH:

Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, as hereinafter defined, for the term of this Lease and subject to the terms, covenants, agreements and conditions hereinafter set forth.

1. Definitions. The terms set forth below shall have the meanings respectively ascribed thereto, except as otherwise clearly required by the context:

1.1 "Additional Rent" means any and all sums payable by Lessee hereunder other than Base Rent.

1.2 "Agency" means the agency or department of the State of Tennessee or its successor agency or department having authority over the licensure of skilled nursing facilities in Tennessee.

1.3 "Agreement" means this Lease, as in effect from time to time.

1.4 "Base Rent" has the meaning ascribed thereto in Section 4.1 hereof.

1.5 "Facility" means the 120-bed nursing facility located on the Premises.

1.6 "FF&E" means the furniture, fixtures, and equipment located in the Facility on the date hereof.

1.7 "Financing Lease" means any lease of property, real or personal, the obligations of the lessee in respect of which are required in accordance with U.S. generally accepted accounting principles to be capitalized on a balance sheet of the lessee.

1.8 "Guaranty Obligation" means as to any person (the "guaranteeing person"), any obligation of (a) the guaranteeing person or (b) another person (including, without limitation, any bank under any letter of credit) to induce the creation of which the guaranteeing person has issued a reimbursement, counterindemnity or similar obligation, in either case guaranteeing or in effect guaranteeing any Indebtedness, leases, dividends or other obligations (the "primary obligations") of any other third person in any manner, whether directly or indirectly.

1.9 "Hazardous Material" means any hazardous, toxic, or dangerous waste, substance or material, pollutant or contaminant, as defined for purposes of the comprehensive Environmental Response, Conservation and Recovery Act (42 of U.S.C. Section 6901 *et seq.*), as amended, or any other federal, state or local law, ordinance, rule or regulation applicable to the Premises, or any substance that is toxic, explosive, corrosive, flammable, infectious, radioactive,

carcinogenic, mutagenic, or otherwise hazardous to the environment or to human health or safety, or any substance which contains gasoline, oil, diesel fuel or other petroleum hydrocarbons or byproducts, polychlorinated bipheyls (PCBs), or radon gas, urea formaldehyde, asbestos or lead.

1.10 "Indebtedness" means, with respect to any person at any date, without duplication, (a) all indebtedness of such person for borrowed money (whether by loan or the issuance and sale of debt securities) or for the deferred purchase price of property or services (other than current trade liabilities incurred in the ordinary course of business and payable in accordance with customary practices), (b) any other indebtedness of such person which is evidenced by a note, bond, debenture or similar instrument, (c) all obligations of such person under Financing Leases, (d) all obligations of such person in respect of letters of credit, acceptances or similar instruments issued or created for the account of such person and (e) all liabilities secured by any Lien on any property owned by such person even though such person has not assumed or otherwise become liable for the payment thereof.

1.11 "Infectious Waste" has the meaning assigned to the term "Biohazardous Waste" as such term is defined in applicable state statutes and rules.

1.12 "Inventory" shall mean the routine supplies located at the Facility.

1.13 "Lease" means this Lease, as in effect from time to time.

1.14 "Lessee" means Christian Care Center of Bristol, LLC, a Tennessee limited liability company.

1.15 "Lessor" means Bristol Real Estate Investors, LLC, a Tennessee limited liability company.

1.16 "Lien" means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge or other security interest or any preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement and any Financing Lease having substantially the same economic effect as any of the foregoing), and the filing of any financing statement under the Uniform Commercial Code or comparable law of any jurisdiction in respect of any of the foregoing.

1.17 "Mortgage Loan" has the meaning ascribed thereto in Section 4.1.1 hereof.

1.18 "Permitted Use" means the operation of a skilled nursing facility, the provision of ancillary or other health care items and services to the residents thereof and to members of the community, the provision of adult day care, psycho-social or similar services to members of the community, and any use or activity related to or associated with the operation of a skilled nursing facility, including, without limitation, any activity which, in accordance with accepted commercial practice, may now or hereafter be conducted at a skilled nursing facility, whether or not such activity relates to the provision of services to residents of such facility.

1.19 "Premises" means the property and improvements located at the intersection of Highway 394 and Feathers Chapel Road, Bristol, Tennessee, and more fully described in Exhibit A attached hereto and incorporated herein.

1.20 "Property Taxes" shall mean the gross amount of all real estate taxes and governmental assessments attributed to the Premises, less any early payment or other discounts realized, specifically excluding inheritance taxes, gift taxes, transfer taxes, franchise taxes, excise taxes, and income taxes of Lessor.

1.21 "Rent" shall mean the sum of the Base Rent and Additional Rent.

1.22 "Skilled Nursing Facility" shall mean intermediate care and/or skilled care nursing facility.

1.23 "Regulatory Clearances" shall mean (i) receipt by Lessee of notice from the Agency to the effect that upon receipt of evidence of the consummation of the transactions contemplated hereby and commencement of the term of this Lease, the Agency will issue a license authorizing Lessee to operate the Facility as a skilled nursing facility; (ii) receipt by Lessee of all other governmental approvals that are required as a condition precedent for the lawful commencement of the term of this Lease and operation of the Facility by Lessee as a skilled nursing facility.

2. **Lease.** Lessor hereby leases to Lessee the Premises, including the Facility and the FF&E, on the terms and conditions herein provided.

3. **Term and Renewal.** The term of this Lease is ten (10) years with an option to renew for a ten (10) year term. This term shall commence on the date on which the Premises is approved for occupancy and operation as a skilled nursing facility (the "Commencement Date").

4. **Rent.**

4.1 **Base Rent.** The base rent hereunder for each month of the term hereof (the "Base Rent") shall be paid by Lessee to Lessor in advance on the seventh (7th) day of each month during the term hereof, and shall be equal to the following:

4.1.1 **Debt Service on Mortgage Loan.** An amount equal to the payment in respect of principal and interest required to be made by Lessor in such month to its lender under its mortgage loan, if any (the "Mortgage Loan"); *plus*

4.1.2 **Debt Service on Improvement Loan.** An amount equal to the payment in respect of principal and interest required to be made by Lessor in such month to its lender under its improvement loan, if any (the "Improvement Loan"); *plus*

4.1.3 **Debt Service - Other.** An amount equal to the payment of principal and interest required to be made in such month in respect of any future debts incurred by Lessor in Lessor's needed renovation, replacements within and/or maintenance of the Facility, and/or in Lessor's expenditures required to maintain the Facility's physical compliance with local, state, and federal regulations; *plus*.

4.1.4 Fixed Return Amount. Starting with the thirteenth (13th) month and each month thereafter, a fixed return amount, which shall be equal to Eight Thousand and No/100 Dollars (\$8,000.00) during the Term hereof.

In addition to the foregoing, and included in the Base Rent, Lessee shall pay Lessor an amount in each month equal to any sales tax levied by local and/or state of Tennessee taxing authority on the foregoing, if levied.

4.1.5 Depreciation and Amortization Expense. Plus, an amount equal to the greater of (a) depreciation and amortization expense incurred by Lessor, in accordance with generally accepted accounting principles (GAAP), less the amount of principal payments included in Sections 4.1.1, 4.1.2, and 4.1.3; or (b) zero.

4.2 Utilities and Property Taxes and Assessments.

4.2.1 In General. Lessee shall be responsible for all charges for the use of electric, gas, telephone, water, sewer, waste disposal, and all other utilities accruing during the Term of this Lease. Lessee shall pay or cause to be paid all Property Taxes attributable or assessed to the Premises accruing during the Term of this Lease. Lessee shall pay same when due with the maximum (real and personal) discount being utilized by Lessee. Lessee shall pay all assessments, whether general or specific, whether certified or pending, and shall pay all fees, costs, and other obligations when due to maintain all licenses to operate the Premises as a skilled nursing facility accruing during the Term of this Lease.

4.2.2 Hold Harmless. Lessee shall protect and hold Lessor and the Premises harmless from liability from any and all of the foregoing taxes, assessments, and charges, together with any interest, penalties, or other sums thereby imposed and from any sale or other proceeding to enforce payment thereof.

4.2.3 Right to Contest. Lessee shall have the right to contest or review by legal proceedings, as permitted under applicable law, any assessed valuation, real estate tax, or assessment. Lessor shall, if so requested by Lessee, join in any proceeding to contest or review such taxes or assessments at Lessee's cost and expense including reasonable attorney's fees. Should any of the proceedings result in reducing the Property Taxes for the Premises, Lessee shall be entitled to receive all refunds paid by the taxing authorities.

4.2.4 Limitation. Nothing contained in this Lease requires, or shall be construed to require Lessee, to pay any gift, estate, inheritance, or other tax assessed against Lessor, its heirs, successors, or assigns, or any income or other tax, assessment, charge, or levy on the rent payable by Lessee under this Lease to Lessor with the exception of Tennessee sales tax due, if any.

4.3 Additional Provisions.

4.3.1 Form and Manner of Payment. All sums due and payable pursuant to the terms and provisions of this Lease shall be paid by Lessee in lawful money of the United States of America. In addition, all such sums shall be paid to Lessor, and payment to Lessor shall fully discharge Lessee with respect to the amount so paid, Lessee having no liability or responsibility with respect to the allocation or distribution of any such payment between the owners of Lessor.

5. Use of Premises; Maintenance; Alterations; Mechanic's Liens.

5.1 Use of Premises. The Premises shall be used in accordance with the Permitted Use and for no other purposes. Lessee shall not commit, or suffer to be committed, any waste on the Premises. The Premises shall not be used in any manner to create any nuisance, offensive activity or unsightly condition, nor to vitiate the insurance on the Premises nor violate any rules, regulations, orders, or other obligations of any federal, state, or local government or other agency that may affect in any way the licensing or use of the Premises as a skilled nursing facility. Lessee shall be responsible for obtaining and maintaining all licenses necessary to operate Lessee's business as a skilled nursing facility.

5.2 Renovation and Maintenance. Lessee, by occupancy hereunder, accepts the Premises as being in reasonable repair and condition; provided that Lessor agrees to when and as reasonably needed by the Facility renovate the premises, replace HVAC units, replace resident room furniture, replace the roof, redecorate the Facility, etc., which shall first be recommended and presented to Lessor by qualified building architects, engineers, and interior design consultants (as the case may require) reasonably acceptable to Lessor and Lessee. In the event that any maintenance issue arises that is by its nature Lessor's responsibility and that puts the Facility or any of its residents, employees, or guests in actual or anticipated jeopardy of physical injury or regulatory deficiency, Lessor shall immediately undertake to correct the situation and shall see that it is corrected within ten (10) days of notice of such situation, and, if Lessor fails to do so, Lessee shall have the right to undertake to correct such situation utilizing whatever laborers it, in its sole discretion, deems desirable and shall be expressly permitted to full reimbursement from Lessor for the cost of such correction by a set off in Rent.

Lessee shall routinely maintain the Premises and every part thereof, including the Personal Property, in good repair and condition, damages by causes beyond the control of the Lessee excepted.

Notwithstanding herein to the contrary, Lessor agrees to indemnify and hold harmless Lessee, its officers, agents, and employees from any loss, cost, damage, expense, attorney's fees, and liability by reason of bodily injury, property damages, or both of whatsoever nature or kind, arising out of or as a result of Lessor's non-compliance with federal, state, or municipal laws, regulations, or codes pertaining to Hazardous Substances.

5.3 Alterations. Lessee shall make no structural alterations without the prior approval of Lessor, which approval shall not be unreasonably withheld.

6. Damage or Destruction.

6.1 50% or More of the Replacement Cost. If by fire or other casualty, the Premises are totally destroyed or partially damaged or destroyed to the extent of fifty percent (50%) or more of the replacement cost thereof, Lessor shall have the option of terminating this Lease, or any renewal thereof, by serving written notice upon Lessee within thirty (30) days from the date of the casualty, and any prepaid Rent shall be prorated as of the time of destruction, and any unearned Rent shall be refunded without interest. Nevertheless, should Lessor elect to repair such damage or destruction, then upon completion of such repairs this Lease shall be reinstated at the option of Lessee. In such event, Lessor shall give written notice to Lessee of the completion of such repair

and Lessee shall have thirty (30) days within which to exercise its option to reinstate this Lease by written notice to Lessor, such reinstatement to be effective as of the date specified in such notice from Lessee, but not more than sixty (60) days after the date of such notice.

6.2 49% or Less of the Replacement Cost. If by fire or other casualty, the Premises is damaged or partially destroyed to the extent of forty-nine percent (49%) or less of the replacement cost thereof, then Lessor shall restore the Premises.

6.3 Abatement of Rent. In the event of restoration by Lessor, all Rent thereafter accruing shall be equitably and proportionately adjusted according to the nature and extent of the destruction or damage, pending completion of rebuilding, restoration, or repair. In the event the destruction or damage is so extensive as to make it infeasible for Lessee to conduct Lessee's business on the Premises, the Rent shall be completely abated until the Premises is restored by the Lessor, or until the Lessee resumes use and occupancy of the Premises, whichever shall first occur. The Lessor shall not be liable for any damage to, or any inconvenience or interruption of, the business of the Lessee or any of its employees, agents, or invitees occasioned by the fire or casualty.

6.4 Repair. If the Premises is to be repaired under this Section 6, Lessor shall make such repairs at its cost.

7. Compliance With Legal Requirements. Lessor shall, at its sole cost and expense, promptly comply with all laws, statutes, ordinances, and governmental rules, regulations, or requirements now in force, or which may hereafter be in force, with the requirements of any board of fire underwriters or other similar body now or hereafter constituted, with any direction or occupancy certificate issued pursuant to any law by any public officer or officers, as well as the provisions of all recorded documents affecting the Premises, insofar as any thereof relate to or affect the condition, use, or occupancy of the Premises, excluding requirements of structural changes not related to or affected by improvements made by or for Lessee or Lessee's acts.

8. Assignment and Subletting. Lessee shall have no right to assign or sublet this Lease without the prior written consent of Lessor.

9. Entry by Lessor. Lessor may enter the Premises upon reasonable notice to Lessee to (i) inspect the same, (ii) exhibit the same to prospective purchasers, lenders, or lessees, (iii) determine whether Lessee is complying with all of its obligations hereunder, (iv) supply any services to be provided by Lessor to Lessee hereunder, (v) post notices of non-responsibility, and (vi) make repairs required of Lessor under the terms hereof. Lessee hereby waives any claim for damages for any injury or inconvenience to or interference with Lessee's business, any loss of occupancy or quiet enjoyment of the Premises, or any other loss occasioned by such entry.

10. Events of Default and Lessor's Remedies. All rights and remedies of the Lessor herein enumerated in the event of a default shall be cumulative, and nothing herein shall exclude any other right or remedy allowed hereunder, at law, or in equity.

10.1 Bankruptcy. If any voluntary or involuntary petition or similar proceeding under any section or sections of any bankruptcy act shall be filed by or against Lessee, or any voluntary or involuntary proceeding in any court or tribunal shall be instituted to declare Lessee insolvent or unable to pay Lessee's debts, and such petition or proceeding is not discharged or

dismissed within ninety (90) days after the commencement thereof, then and in any such event Lessor may, if Lessor elects, but not otherwise, and with or without notice of election, forthwith terminate this Lease, and notwithstanding any other provisions of this Lease, Lessor shall forthwith, upon such termination, be entitled to recover damages in an amount equal to the then present value of the Rent, specified in Section 4 of this Lease, for the residue of the stated term hereof less the fair rental value of the Premises for the residue of the stated term hereof.

10.2 Payment, Etc. If the Lessee defaults in the payment of Base Rent or Additional Rent, or in the prompt and full performance of any provision of this Lease, or if the leasehold interest of the Lessee is levied upon under execution or is attached by process of law, or if the Lessee makes an assignment for the benefit of creditors, or if a receiver is appointed for any property of Lessee, or if the Lessee abandons the Premises, and if any such event is not cured within thirty (30) days after notice thereof from Lessor, then and in any such event the Lessor may, if the Lessor so elects, but not otherwise, upon three (3) days' written notice of such election, either forthwith terminate this Lease and the Lessee's right to possession of the Premises or without terminating this Lease, forthwith terminate the Lessee's right to possession of the Premises, but the Lessee shall remain liable for damages as permitted by law, and as provided for herein.

10.3 Surrender. Upon termination of this Lease, whether by lapse of time or otherwise, or upon any termination of the Lessee's right to possession without termination of the Lease, Lessee shall surrender possession and vacate the Premises immediately, and deliver possession thereof to the Lessor, subject, in the case of expiration or termination of this Lease without default by Lessee, to the performance by Lessor of its obligations hereunder in connection with the expiration or termination hereof.

11. Representations and Warranties Lessor. Lessor represents, warrants, and covenants to Lessee, as of the date hereof and as of the Commencement Date, as follows:

11.1 Authority. Lessor has the full legal capacity and authority to enter into, and to perform its obligations under, this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement. Lessor's execution, delivery, and performance of this Agreement and all other agreements, instruments, and certificates to be executed by it pursuant to this Agreement have been duly authorized by all necessary company actions and will not violate any provision of Lessor's charter documents, including its articles of incorporation or organization, its bylaws or operating agreement, or other similar documents. This Agreement is, and the other documents to be delivered by Lessor (when executed and delivered by it) will be, valid and enforceable obligations of the Lessor, binding in accordance with their terms.

11.2 Organization. Lessor is, and on the Commencement Date will be, a duly organized, validly existing Tennessee limited liability company in good standing with the legal power to own and operate its properties and assets and to carry on its intended business. Lessor has complied with all provisions of its charter documents.

11.3 Title. Lessor has good and marketable fee simple title to the Premises subject to easements, restrictions, limitations, and encumbrances of public record and the lien of the Mortgage Loan and the Improvement Loan.

11.4 No Condemnation Proceedings. There is no pending or, to the knowledge of Lessor, threatened condemnation or similar proceeding affecting the Premises or any portion thereof, and Lessor has not received any written notice, and has no knowledge, that any such a proceeding is contemplated.

11.5 Use. There are no restrictions, recorded or unrecorded, or existing rules, regulations, laws, ordinances, or orders of any governmental or quasi-governmental authority which would impair Lessee's use of the Premises for the Permitted Use. Lessor has no knowledge of any judicial or administrative action, or any action by adjacent landowners, that has not been disclosed in writing to Lessee and that would prevent, limit, impede, or render more costly the present or any future use of the Premises or the construction of any additions or improvements thereto in compliance with existing laws. Lessor is not aware of any other facts or circumstances that would materially and adversely affect Lessee's use or value of the Premises as a skilled nursing facility.

12. Representations and Warranties of Lessee. Lessee hereby represents and warrants as follows:

12.1 Organization. Lessee is a duly organized, validly existing Tennessee limited liability company in good standing with the legal power to own its properties and assets and to carry on its intended business.

12.2 Authorization. Lessee has the full power, legal capacity, and authority to enter into, and to perform its obligations under, this Agreement. Lessee's execution, delivery, and performance of this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement have been duly authorized by all necessary company actions. This Agreement is, and the other documents to be delivered by Lessee pursuant hereto (when executed and delivered by it) will be, valid and enforceable obligations of Lessee, binding on Lessee in accordance with their terms.

13. Additional Covenants of the Parties.

13.1 Governmental Approvals. To the extent not already accomplished, Lessee shall, promptly after the execution of this Agreement, submit to the Agency an application for a license in the name of Lessee, to authorize Lessee to operate the Facility, and applications for approval as a provider under the Medicare and Medicaid Programs. Thereafter, Lessee shall use reasonable efforts to pursue the issuance of such license and approvals. Lessor shall cooperate with and assist Lessee in the pursuit of such license and approvals as requested by Lessee from time to time (both before and after the Commencement Date).

13.2 Maintenance of Existence, Etc. During the term of this Lease, Lessor shall maintain intact its entity existence, and, including with respect to its assets, shall not liquidate or dissolve, or enter into any merger, consolidation, or similar transaction (regardless of the survivor), or acquire or be acquired by any person or entity, except with the written consent of Lessee.

13.3 Loan Guarantee Fee. If either party hereto guarantees the repayment of a loan made to the other party, the party making the guaranty shall be entitled to an annual loan guarantee fee, payable on December 31st of each calendar year, in the amount of One Quarter Percent (0.25%) of the highest amount of debt so guaranteed during the preceding calendar year.

13.4 Purchase at Termination. On the expiration or termination of this Lease for any reason, Lessee shall sell, and Lessor shall purchase: (i) all leasehold improvements of the Premises made by or at the expense of Lessee (other than through payments of Rent hereunder); (ii) all furniture, fixtures and equipment then located at the Facility and purchased and owned by Lessee; and (iii) all supplies inventory then located at the Facility which has been purchased by Lessee. The purchase price for the foregoing shall be an amount equal to the net book value thereof as of such expiration or termination, as shown on the books of Lessee prepared in accordance with generally accepted accounting principles, and shall be paid in immediately available funds within thirty days of the date of such expiration or termination.

13.5 Operation by Lessee. Lessee hereby covenants and agrees to use best efforts to maintain the Premises and the Facility free and clear of all claims, actions, suits, or other proceedings which could affect the Facility's ability to operate as a skilled nursing facility during the term of this Lease. Lessee agrees to maintain the use of the Property and shall comply with all environmental laws. Notwithstanding the foregoing, Lessee shall not have any liability for violations of environmental laws that do not result from acts or omissions of Lessee.

13.6 Medicare, Medicaid Requirements. Lessee hereby covenants and agrees to use its best efforts to maintain and comply with all applicable Medicaid and Medicare requirements or other Agency requirements, to maintain the Premises and its licenses and permits, to operate a skilled nursing facility upon the Premises, to comply with all rules and regulations as they may relate to residents and/or resident trust funds and to maintain such licenses and permits in good standing throughout the Term of this Lease. All Medicare and Medicaid cost reports, if any, required to be filed by Lessee shall be accurately completed in all material respects and timely filed. Any pending statement of deficiencies related to the Premises or the Facility after the Commencement Date issued by any agency shall be complied with in a timely manner.

13.7 Transfer of Licenses, etc. On the expiration or earlier termination of this Lease for any reason, Lessee (its successors, assigns, agents, trustees or receivers) shall transfer and relinquish to Lessor or Lessor's nominee and cooperate with Lessor or Lessor's nominee in connection with the processing by Lessor or such nominee of all licenses, operating rights, permits, certificates of need and other regulatory clearances or matters, including without limitation, a Certificate of Need, the Facility license, and any other contracts with governmental or quasi-governmental entities which may be necessary or appropriate for the operation of the Premises and Facility by Lessor or such nominee; provided that the costs and expenses of any such transfer or the processing of any such application shall be paid by Lessor or Lessor's nominee or assigns. Any such rights, permits, licenses, certificates and/or contracts which are held in Lessor's name or in the name of any lessee of Lessor at the termination of the Lease shall be the property of Lessor, and Lessee is strictly prohibited from transferring the license to or having a new license issued at a location other than the Premises.

14. Conditions to Lessee's Obligations. The obligations of Lessee from and after the Commencement Date are subject to the following conditions, any one or any of which may be waived by Lessee:

14.1 Representations and Warranties. The representations of Lessor contained in this Agreement shall be true and accurate in all material respects on and as of the Commencement Date as if made on and as of the Commencement Date.

14.2 Absence of Adverse Changes. There shall not have occurred any material adverse change affecting the Facility or the use or operation thereof by Lessee after the Commencement Date.

14.3 Litigation. No litigation shall be pending or threatened that seeks to prevent the transactions contemplated hereby or damages from Lessor or Lessee in relation thereto.

15. Conditions to Lessor's Obligations. The obligations of Lessor from and after the Commencement Date are subject to the following conditions, any one or any of which may be waived by Lessor:

15.1 Representations and Warranties. The representations of Lessee contained in this Agreement shall be true and accurate in all material respects on and as of the Commencement Date as if made on and as of the Commencement Date.

15.2 Litigation. No litigation shall be pending or threatened that seeks to prevent the transactions contemplated hereby or damages from Lessor or Lessee in relation thereto.

16. Failure of Conditions. In the event that there is a material failure of any of the conditions to the obligations of a party hereunder, which is not waived by such party, then such party may terminate and abandon this Lease by written notice to the other party, and in the event of such termination neither party shall have any further liability or obligation under this Lease to the other party hereto.

17. Lessor's Right to Cure Defaults. All agreements and provisions to be performed by Lessee under any of the terms of this Lease shall be at its sole cost and expense and without any abatement of rental. If Lessee shall fail to pay any sum of money, other than the Rent, required to be paid by it hereunder, or shall fail to perform any other act on its part to be performed hereunder, Lessor may, but shall not be obligated to, and without waiving or releasing Lessee from any obligations of Lessee, make any such payment or perform any such other act on Lessee's part to be made or performed as in this Lease provided. All sums so paid by Lessor and all necessary incidental costs shall be deemed Additional Rent hereunder and shall be payable to Lessor upon demand, and Lessor shall have (in addition to any other right or remedy of Lessor) the same rights and remedies in the event of the non-payment thereof by Lessee as in the case of default by Lessee in the payment of rental.

18. Eminent Domain. The terms "eminent domain," "condemnation," "taking" and the like in the following paragraphs include takings for public or quasi-public use and private purchases in place of condemnation by any authority authorized to exercise the power of eminent domain.

If the entire Premises or the portions of the Premises required for reasonable access to, or reasonable use of, the Premises are taken by eminent domain, the Lease shall automatically end on the earlier of:

- (i) the date the title vests in the condemning authority; or
- (ii) the date Lessee is dispossessed by the condemning authority.

If the taking of a part of the Premises materially interferes with Lessee's ability to continue its business operations in substantially the same manner, the Lease shall automatically end on the earliest of:

- (i) the date when title vests;
- (ii) the date Lessee is dispossessed by the condemning authority, or
- (iii) sixty (60) days following notice to Lessee of the date when vesting or dispossession is to occur.

If there is a partial taking and the Lease continues, then the Lease shall end as to the part taken, and the Rent shall abate in proportion to the part of the Premises taken and Lessee's pro rata share shall be equitably reduced.

Lessee shall be permitted to make its own claim with the condemning authority for the value of its leasehold improvements and for the value of the unexpired term of the Lease.

19. **No Merger.** The voluntary or other surrender of this Lease by Lessee, or a mutual cancellation thereof, shall not work a merger, and shall, at the option of Lessor terminate all or any existing subleases or subtenancies, or may, at the option of Lessor, operate as an assignment to it of any or all such subleases or subtenancies.

20. **Waiver.** The waiver by Lessor or Lessee of any agreement, condition, or provision herein contained shall not be deemed to be a waiver of any subsequent or further breach of the same, or any other agreement, condition, or provision herein contained, nor shall any custom or practice that may arise between the parties in the administration of the terms hereof be construed to waive or to lessen the right of Lessor or Lessee to insist upon performance in accordance with said terms. The subsequent acceptance of Rent or Additional Rent hereunder by Lessor shall not be deemed to be a waiver of any preceding breach by Lessee of any agreement, condition, or provision of this Lease, other than the failure of Lessee to pay the particular Rent or Additional Rent so accepted, regardless of Lessor's knowledge of such preceding breach at the time of acceptance of such Rent or Additional Rent.

21. **Notices.** All notices and demands that may or are required to be given by either party to the other hereunder shall be in writing and shall be deemed to have been fully given when deposited in the United States Mail, certified or registered, postage prepaid, or with a nationally recognized overnight courier, and addressed as follows: to Lessor, at 300 East Bay, Largo, FL 33770, Attention: Chief Manager, or at such other place as Lessor may from time to time designate in writing to Lessee; to Lessee, at 2020 Northpark, Suite 2D, Johnson City, Tennessee 37604, Attention Vice President of Legal Affairs, or at such other place as Lessee may from time to time designate in writing to Lessor.

22. **Estoppel Certificate.** At any time and from time to time, but on not less than ten (10) days' prior written request by Lessor, Lessee will execute, acknowledge, and deliver to Lessor and any Mortgagee, promptly upon request, a certificate certifying (i) that this Lease is unmodified and in full force and effect (or, if there have been modifications, that this Lease is in full force and effect, as modified, and stating the date and nature of each modification), (ii) the date, if any, to which Rent, Additional Rent, and any other sums payable hereunder have been paid, (iii) that no notice has been received by Lessee of any default that has not been cured, except as to defaults specified in said certificate, and (iv) such other matters as may be reasonably requested by Lessor. Any such certificate may be relied upon by a prospective purchaser or mortgagee of the Premises or any part thereof.

23. **Holding Over.** If, without objection by Lessor, Lessee holds possession of the Premises after the expiration of the term of this Lease, Lessee shall become a Lessee from month to month, upon the terms herein specified. Each party shall give the other written notice at least one (1) month prior to the date of termination of such monthly tenancy of its intention to terminate such tenancy. This Section shall in no way be deemed to give Lessee any right whatsoever to hold possession of the Premises after the expiration of the term hereof.

24. **Insurance.**

24.1 Lessee hereby agrees to use its best efforts to maintain in full force and effect at all times during the Term of this Lease, at its own expense, for the protection of Lessee and Lessor, as their interest may appear, policies of insurance issued by a responsible carrier or carriers that offer the following coverages:

(i) Comprehensive General and Professional Liability Insurance in an amount not less than \$1,000,000 per claim and \$3,000,000 in the aggregate;

(ii) Fire and Extended Coverage, Vandalism and Malicious Mischief (where applicable) insurance, to cover all the Premises; and

(iii) Worker's Compensation as required by Tennessee law; and

(iv) Business Interruption Insurance.

24.2 Lessee shall deliver to Lessor at least thirty (30) days prior to the time such insurance is first required to be carried by Lessee, and thereafter at least thirty (30) days prior to expiration of such policy, Certificates of Insurance evidencing the above coverage. Such Certificates shall name Lessor as an additional insured. Further, all Certificates shall provide that no less than thirty (30) days' prior written notice shall be given Lessor in the event of a material alteration to, or cancellation of, the coverages evidenced by such Certificates.

25. **Quiet Enjoyment.** Subject to the terms of this Lease and provided Lessee pays the Rent, Additional Rent, and any and all other sums due and payable hereunder, and performs all of the covenants and agreements herein contained, Lessee shall and may peaceably have, hold, and enjoy the Premises for the Term hereof.

26. **Entire Agreement.** There are no oral agreements between Lessor and Lessee affecting this Lease, and this Lease supersedes and cancels any and all previous negotiations, arrangements, brochures, agreements, and understandings, if any, between Lessor and Lessee or displayed by Lessor to Lessee with respect to the subject matter of this Lease. There are no representations between Lessor and Lessee other than those contained in this Lease.

27. **Revision of Lease; Alteration.** This Lease shall not be altered, changed, or amended except by an instrument in writing signed by both parties hereto.

28. **Miscellaneous.** The words "Lessor" and "Lessee" as used herein shall include the plural as well as the singular. Time is of the essence of this Lease and each and all of its provisions. Submission of this instrument for examination or signature by Lessee does not constitute a reservation of or option for Lease, and this instrument is not effective as a lease, or otherwise, until execution and delivery by both Lessor and Lessee. The agreements, conditions, and provisions herein contained shall, subject to the provisions herein as to assignment, apply to and bind the heirs, executors, administrators, successors, and assigns of the parties hereto. If any provision of this Lease shall be determined to be illegal or unenforceable, such determination shall not affect any other provision of this Lease, and all such other provisions shall remain in full force and effect. This Lease shall be governed by and construed pursuant to the laws of the State of Tennessee. The captions used herein are provided only as a matter of convenience and for reference and in no way define, limit, or describe the scope of this Lease or the intent of any provision thereof.

29. **Liability for Previous Operations and Indemnification.** Lessor shall indemnify and hold Lessee and the managers, directors, officers, shareholders, members, employees, and agents of Lessee harmless from all loss, costs, and expense, including reasonable attorneys and paralegals fees at all levels of proceeding, including appeals, resulting from claims asserted against Lessee relative to Lessor's previous operation of the facility prior to Commencement Date of this Lease. Lessor shall be responsible for but not limited to, insured and uninsured claims, personal injury, medical malpractice or other tort claims and any and all claims against the Lessee by any person, firm, entity or governmental agency relating to Lessor operations prior to the Commencement Date of this Lease. Lessor shall be liable for, and shall make prompt payment to Lessee of any charge backs or audit adjustments, etc. related to third party payor programs, including Medicare and Medicaid for periods prior to the Commencement Date of this Lease.

30. **Schedules and Exhibits.** The schedules, exhibits and addenda, if any, attached to this Lease are by this reference made a part hereof.

IN WITNESS WHEREOF, the parties have executed this Lease on the respective dates indicated below:

LESSEE

CHRISTIAN CARE CENTER OF
BRISTOL, LLC


By: Laura S Woods
Name: Laura S. Woods, Vice President of
Legal Affairs

Date of Execution

By Lessee: 4-10-14

LESSOR

BRISTOL REAL ESTATE INVESTORS,
LLC

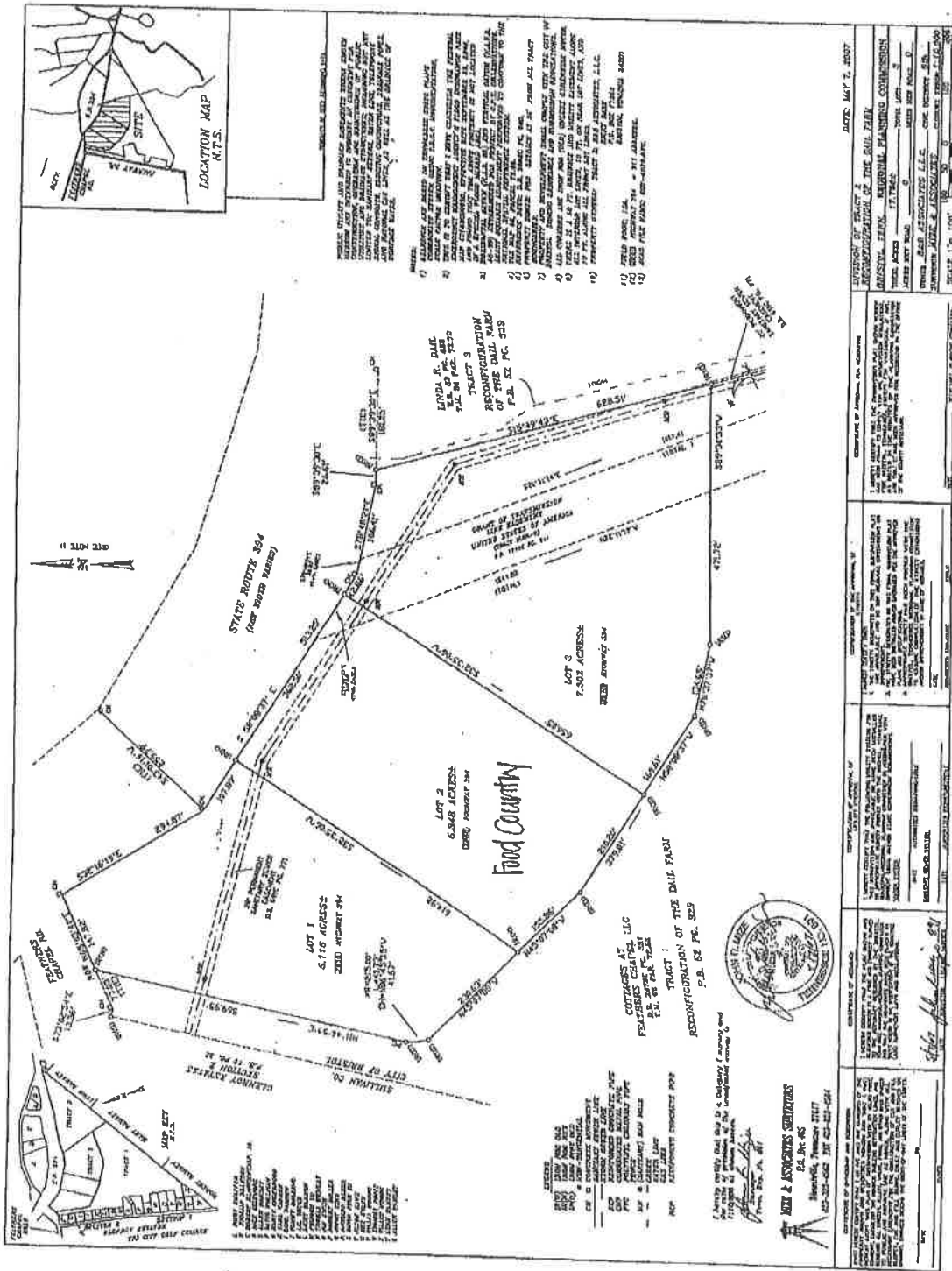
By: 
Name: J.R. Lewis, Chief Manager

Date of Execution

By Lessor: 4-4-14

EXHIBIT A

DESCRIPTION OF THE PREMISES



APR 15 1914 PM 12:33



STATE OF TENNESSEE
DEPARTMENT OF HEALTH
DIVISION OF HEALTH LICENSURE & REGULATION
OFFICE OF HEALTH CARE FACILITIES
227 FRENCH LANDING, SUITE 501
HERITAGE PLACE METROCENTER
NASHVILLE, TENNESSEE 37243
TELEPHONE (615) 741-7221
FAX (615) 741-7051

October 14, 2013

William West, Esq.
Attorneys-At-Law
Baker, Donelson, Bearman, Caldwell & Berkowitz, P.C.
211 Commerce Street
Baker Donelson Center, Suite 800
Nashville, TN 37201

RE: Waiver request –License Inactive Status for Bristol Nursing Home, Bristol; License #260

Dear Mr. West:

The Board for Licensing Health Care Facilities met on September 11, 2013. The following request was granted:

A WAIVER WAS GRANTED TO ALLOW BRISTOL NURSING HOME'S, BRISTOL, LICENSE TO BE PLACED ON INACTIVE STATUS FOR TWO (2) YEARS THROUGH SEPTEMBER 11, 2015.

Board action was taken in accordance with Section 68-11-206, Chapter 11, Tennessee Code Annotated, which gives the Board authority to place a license in an inactive status.

Please notify this office in writing of any changes to prove that you are meeting the requirement that was waived.

If you have any questions you may contact this office at (615) 741-7221.

Sincerely,

Ann Rutherford Reed, RN, BSN, MBA
Director of Licensure
Division of Health Care Facilities

ARR/weh

cc: ETRO
File
Dee Ganaway

FEATHERS CHAPEL RD.
N 85°03'40" E
147.82'

HATTERDALE FARM RD.

N 11°48'53" E
568.95'

S 32°16'19" E
294.87'

S 58°08'37" E
107.89'

STATE RT 394
APR 15 2014 PM 12:02

PROPOSED BUILDING
52,732 SQ FT

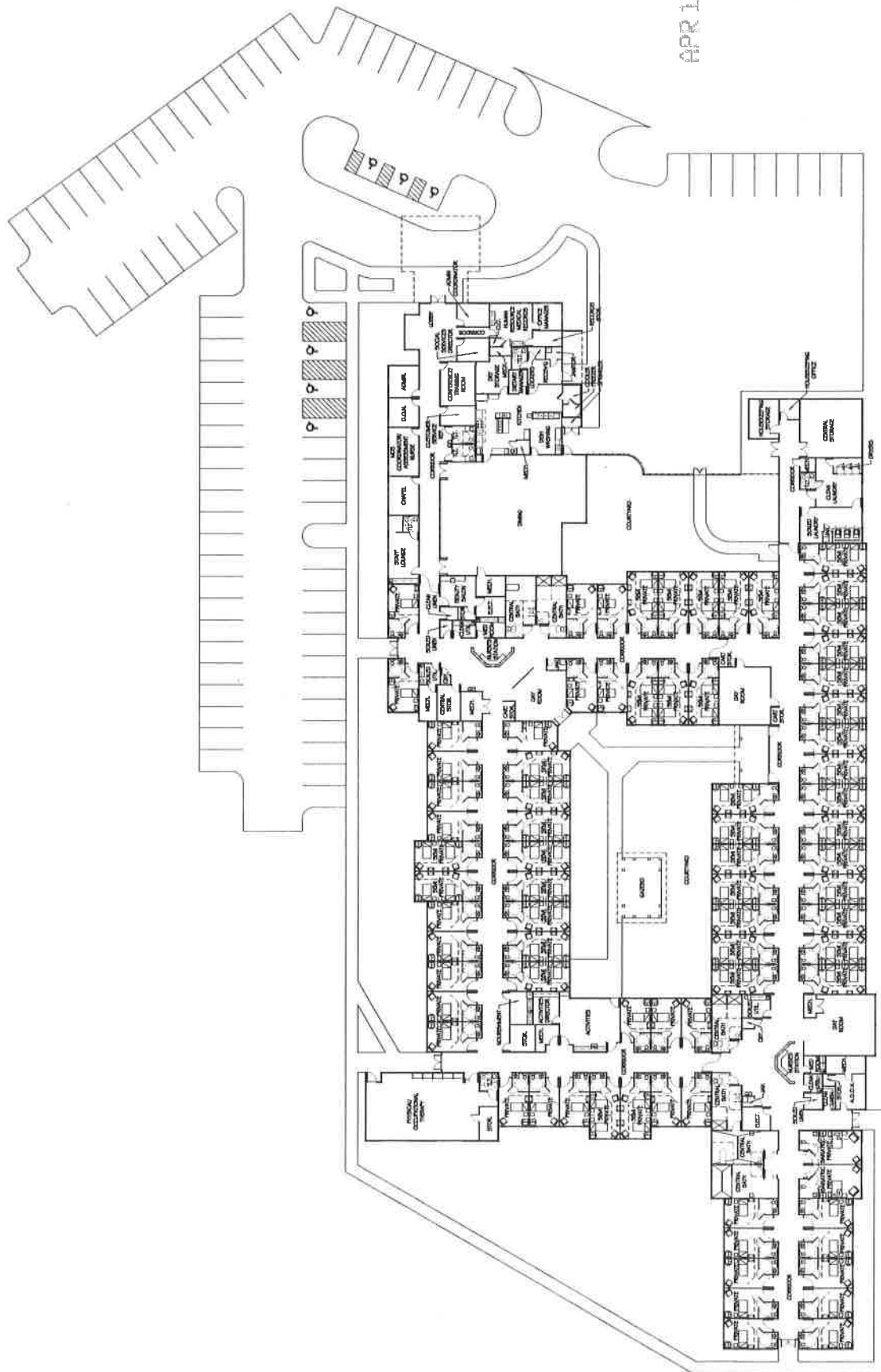
5.12 ACRES

S 32°35'08" W
64.2 m

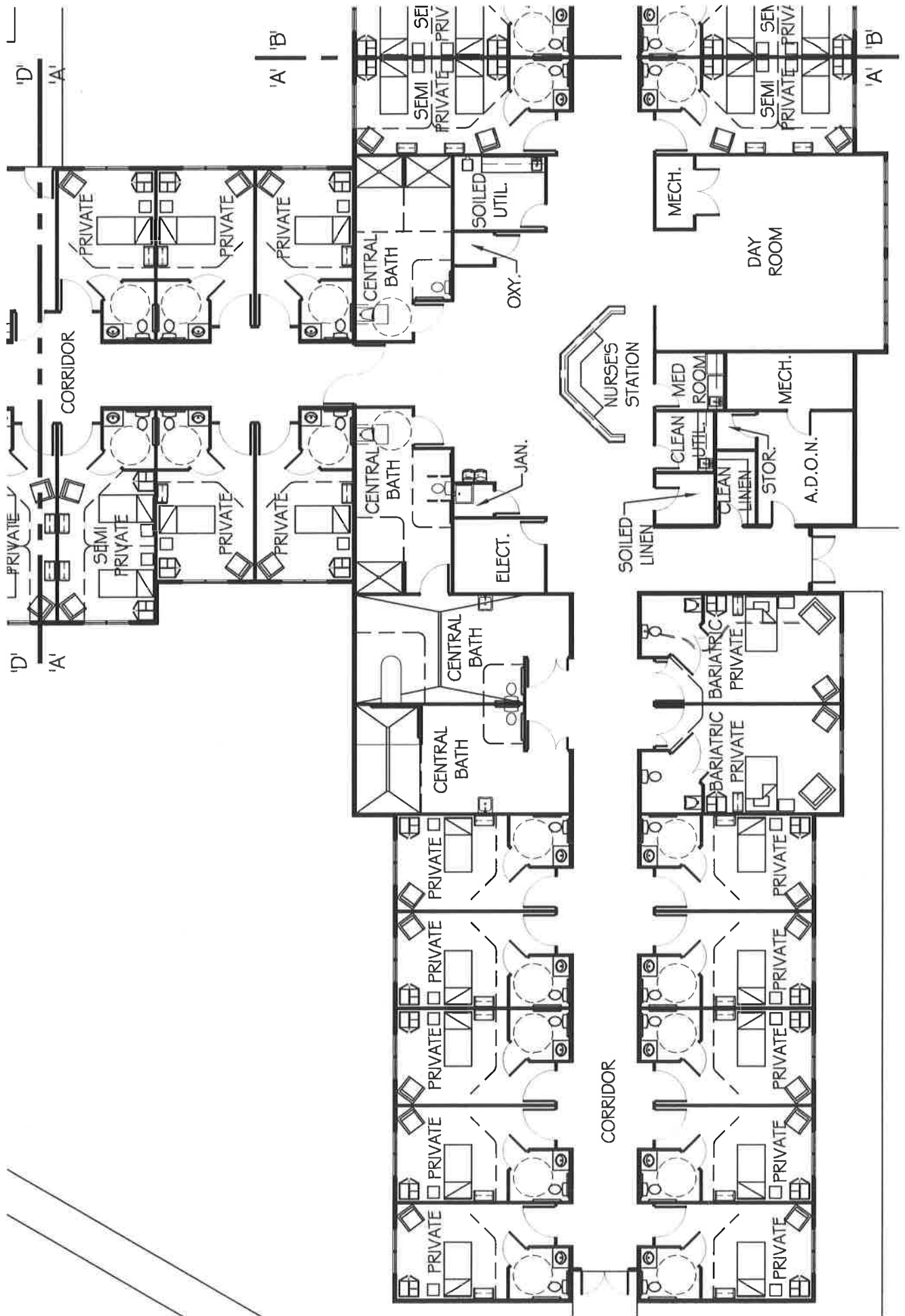
NON-TANGENTIAL
R= 215.00'
L= 41.73'
CB= N 08°45'35" W
CB= 41.67'

N 45°07'08" W
230.63'

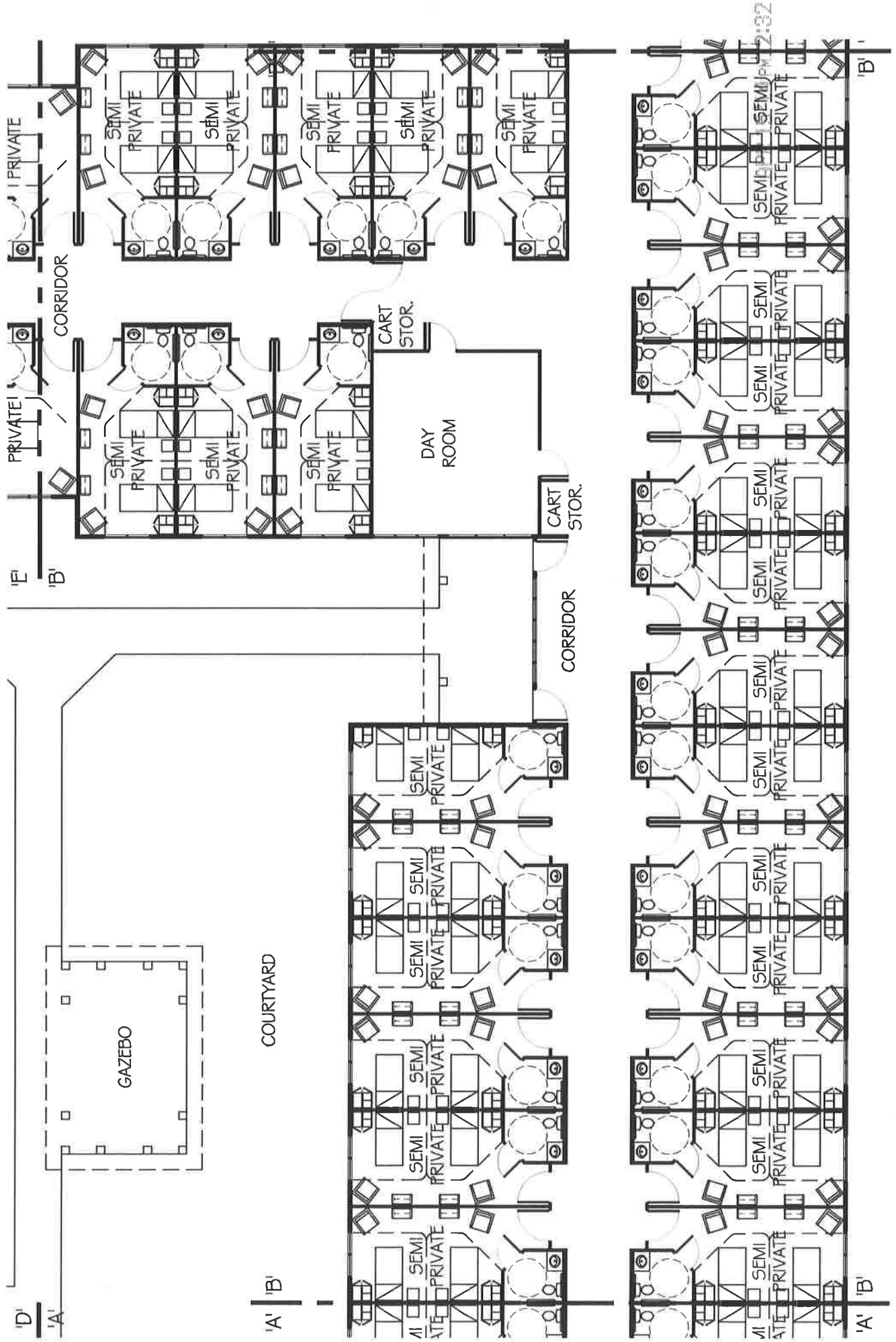
Attachment B, III, (A)



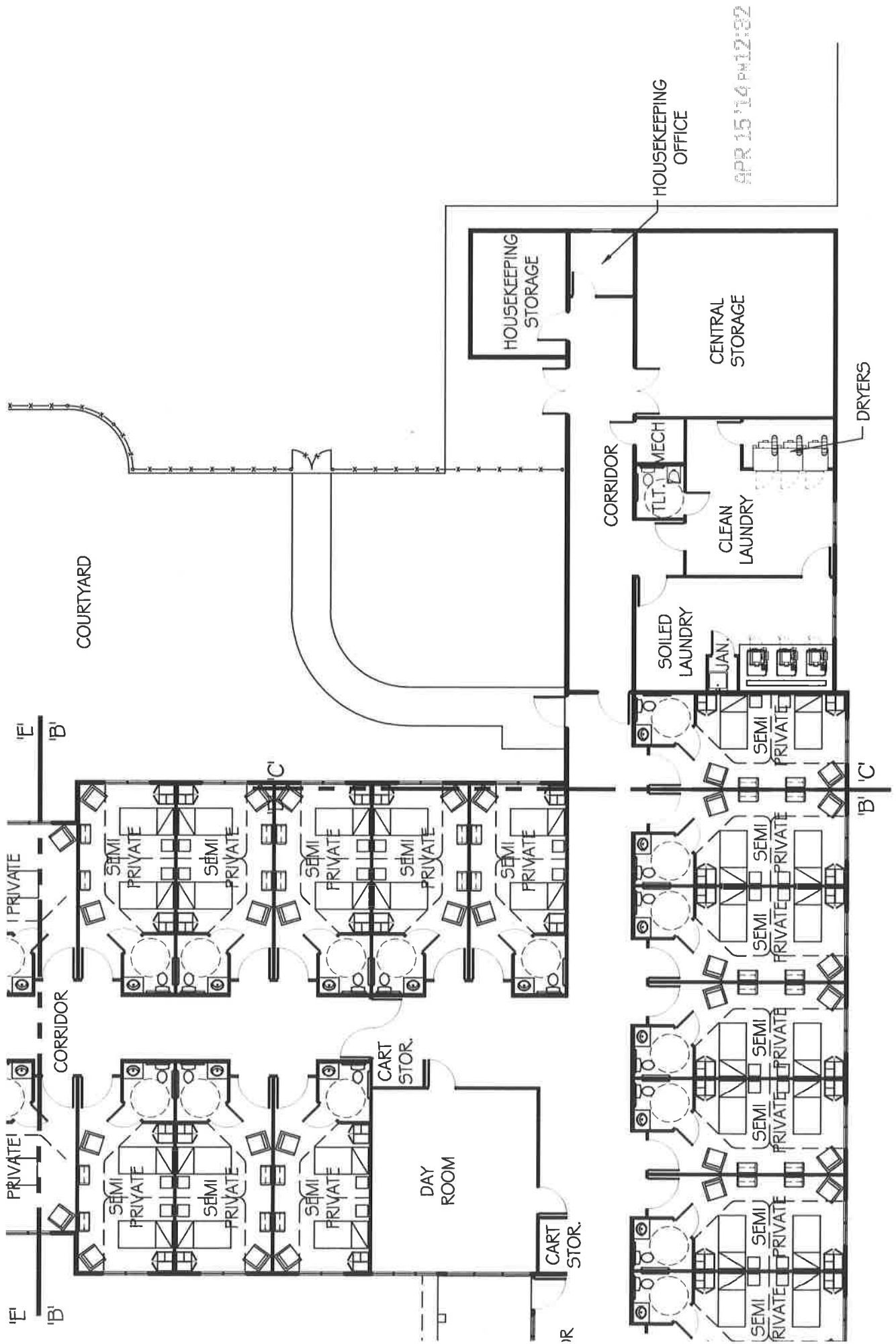
PROPOSED FLOOR PLAN



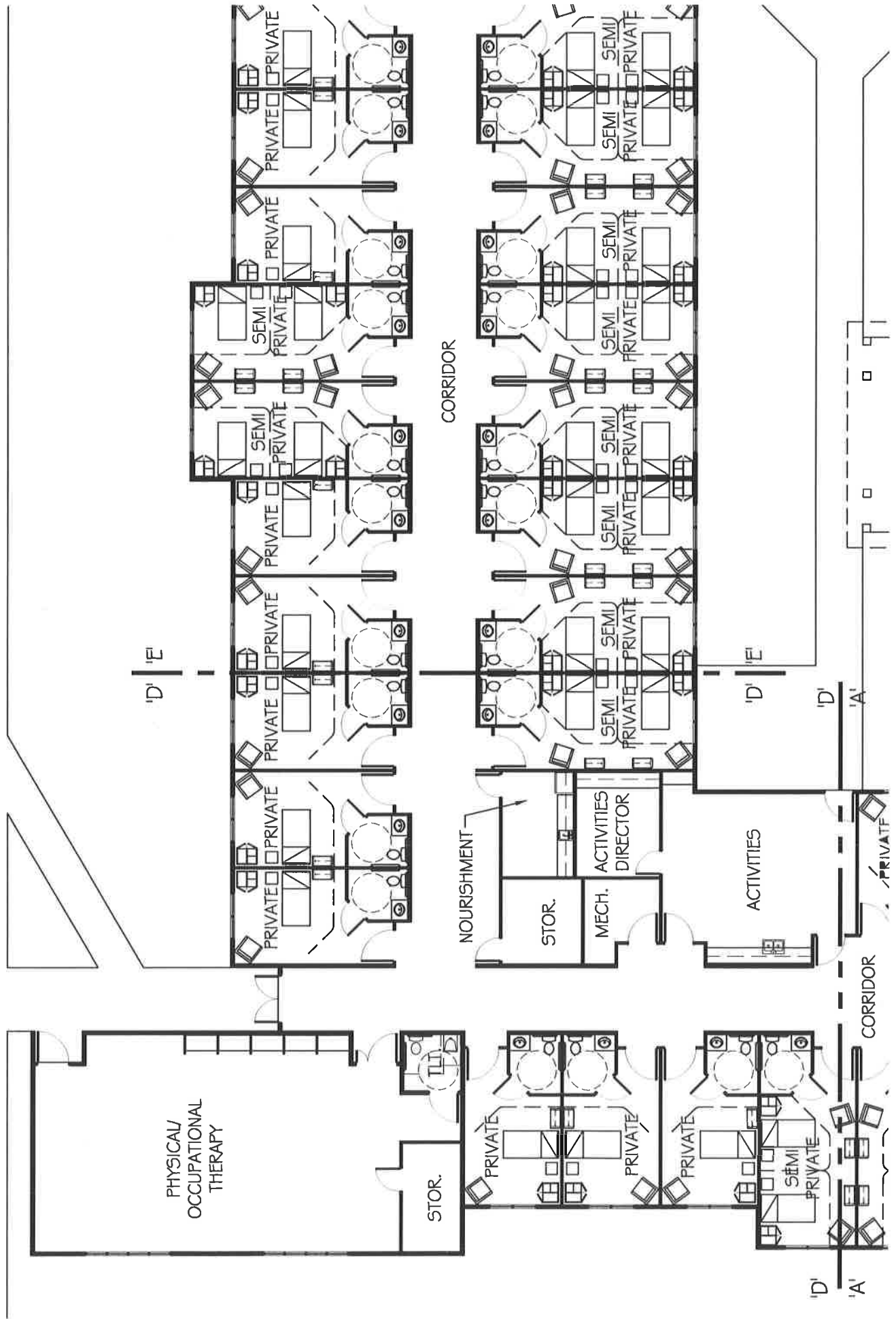
"A"



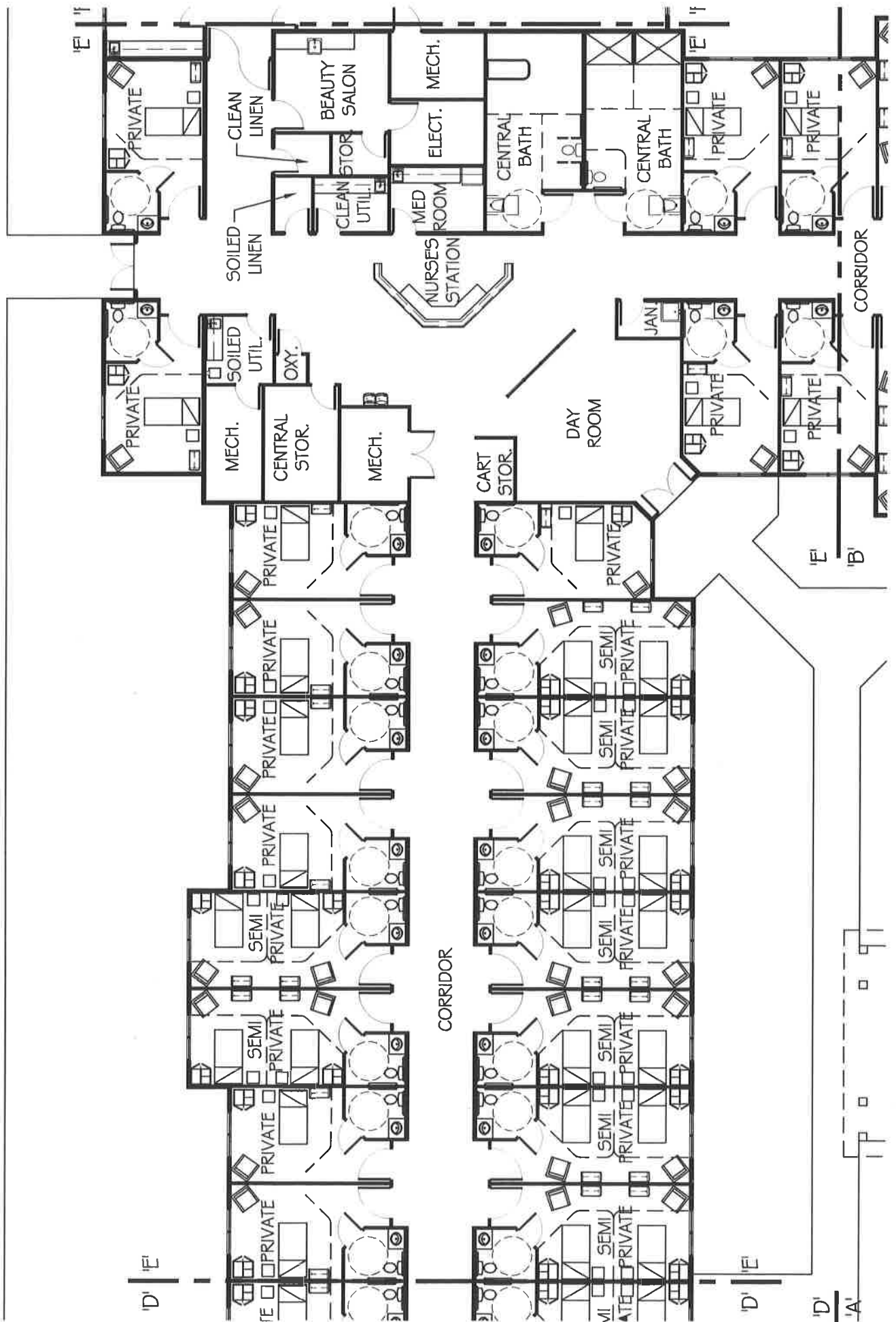
“B”



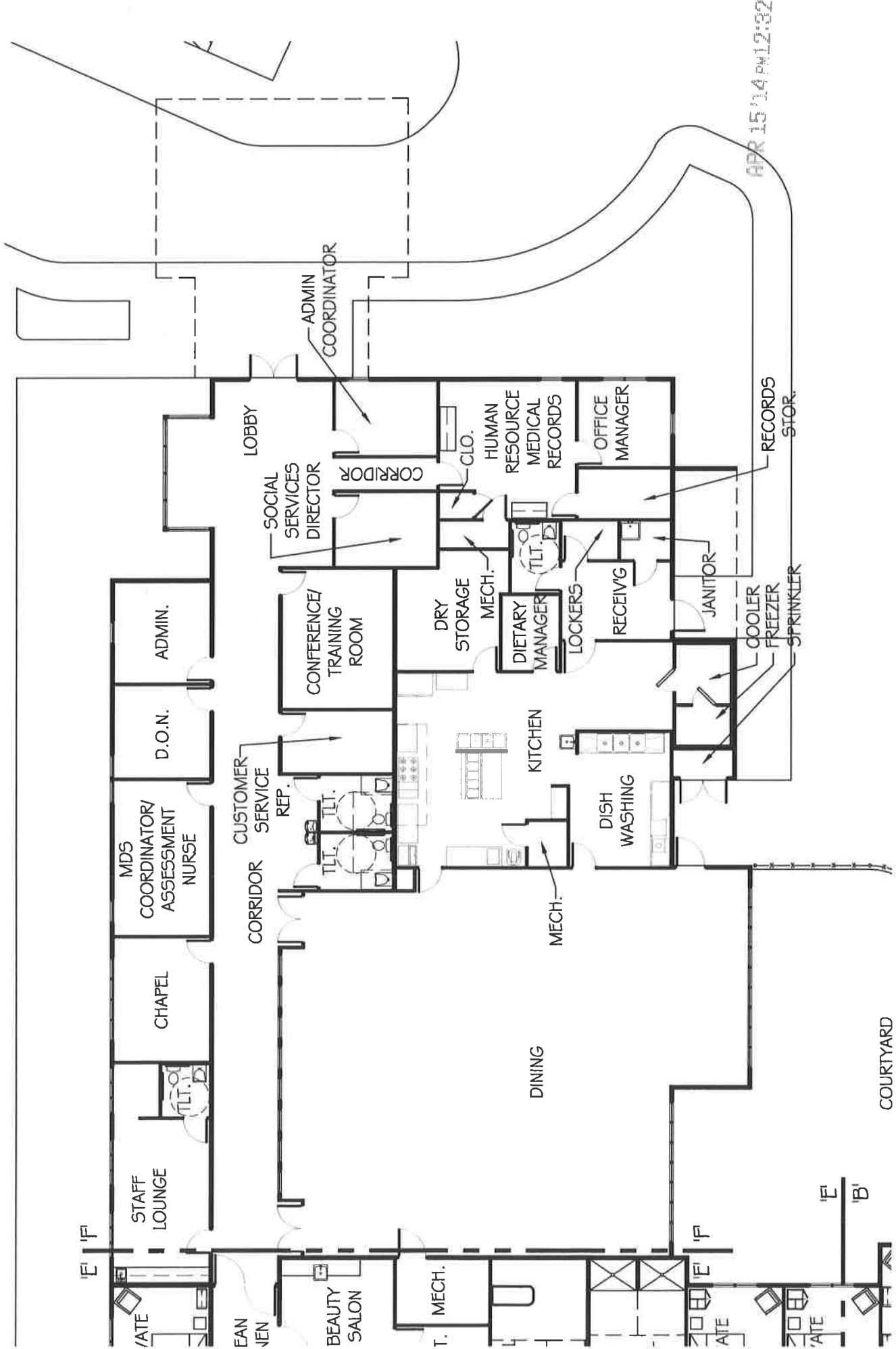
"C"



“D”



“E”



“F”

UTILIZATION OF SULLIVAN COUNTY NURSING HOMES 2010-2012

2012 JAR

Facility	Licensed									
	Only		Only		Only		SNF All		SNF All	
	Licensed Beds	Medicare Certified	Beds- Medicare Certified	Beds- Medicaid Certified	Beds- Dually Certified	Non- Certified	SNF/ Medicare ADC	SNF/ Medicaid ADC	other Payors ADC	Non-Skilled Total ADC
Bristol Nursing Home *	120	0	0	0	120	0	12.6	29.8	67.4	97.3
Brookhaven Manor	180	0	0	0	180	0	18.2	113.7	19.8	133.5
Greystone Healthcare Center	165	0	0	0	165	0	20.8	111.2	6.5	106.2
Holston Manor	204	0	0	0	204	0	24.2	132.6	17.3	148.0
Indian Path Med. Ctr., TCU	22	0	0	0	22	0	14.9	0.2	1.1	0.0
The Cambridge House	130	0	0	0	130	0	13.3	92.6	14.4	89.8
The Wexford House	174	0	0	0	174	0	28.5	115.2	24.2	124.2
Totals/Average *	995	0	0	0	995	0	132.6	595.4	150.8	698.9

* No Joint Annual Report for BNH is on file on the Department of Health website. Utilization data for BNH is taken from its 2012 Medicaid Cost Report.

2011 JAR

Facility	Licensed									
	Only		Only		Only		SNF All		SNF All	
	Licensed Beds	Medicare Certified	Beds- Medicare Certified	Beds- Medicaid Certified	Beds- Dually Certified	Non- Certified	SNF/ Medicare ADC	SNF/ Medicaid ADC	other Payors ADC	Non-Skilled Total ADC
Bristol Nursing Home	120	0	0	0	120	0	12.5	78.4	7.1	85.2
Brookhaven Manor	180	0	0	0	180	0	20.6	122.5	14.9	137.4
Greystone Healthcare Center	165	0	0	0	165	0	14.9	113.5	22.5	105.7
Holston Manor*	204	0	0	0	204	0	28.4	207.8	27.9	233.5
Indian Path Med. Ctr., TCU	22	0	0	0	22	0	15.6	0.5	1.0	0.0
The Cambridge House	130	0	0	0	130	0	15.8	88.3	17.3	102.8
The Wexford House	174	0	0	0	174	0	25.8	113.3	27.2	132.5
Totals/Average	995	0	0	0	995	0	133.6	724.1	118.0	797.0
Totals/Average Disregarding Holton Manor Data (see note)	791	0	0	0	791	0	105.2	516.3	90.1	563.5

* Calculated based on data reported in the 2011 Joint Annual Report as posted on the Department of Health website. There appears to be erroneously reported data.

2010 JAR

26:2746 BT, 91.245

2010 JAR		Licensed									
Facility	Licensed Beds	Only			SNF All			SNF			Avg. Occ.
		Beds- Medicare Certified	Beds- Medicaid Certified	Beds- Dually Certified	Beds- Non-Certified	SNF/ Medicare- ADC	SNF/ Medicaid ADC	other Payors ADC	Non-Skilled ADC	Total ADC	
Bristol Nursing Home	120	0	0	120	0	2.0	90.2	6.0	96.2	98.2	82%
Brookhaven Manor	180	0	0	180	0	18.2	113.7	12.6	133.5	144.5	80%
Greystone Healthcare Center	170	0	89	81	0	16.7	118.9	8.0	114.2	143.6	84%
Holston Manor*	204	0	0	204	0	23.9	139.5	21.0	158.3	184.4	90%
Indian Path Med. Ctr., TCU	22	0	0	22	0	11.5	0.4	4.1	0.0	16.0	73%
The Cambridge House	130	0	0	130	0	20.5	89.8	12.4	98.6	122.7	94%
The Wexford House	174	0	0	174	0	20.0	116.3	29.9	137.0	166.2	95%
Totals/Average	1000	0	89	911	0	112.8	668.8	94.0	737.7	875.6	88%

**NURSING HOME BED NEED BASED UPON THE OLD RATIO STANDARDS
METHODOLOGY USED FOR MEDICARE BEDS NEED CALCULATIONS,
BY COUNTY AND STATE TOTAL, 2016 (Based on 2013 Population Series)**

COUNTY	TOTAL POP	BED NEED	COUNTY	TOTAL POP	BED NEED	COUNTY	TOTAL POP	BED NEED
STATE	6,710,579	45,062	HAMBLEN	64,799	515	MORGAN	21,909	147
ANDERSON	77,273	713	HAMILTON	350,924	2,699	OBION	31,297	267
BEDFORD	48,881	306	HANCOCK	6,616	57	OVERTON	22,711	186
BENTON	16,177	163	HARDEMAN	26,164	191	PERRY	8,057	77
BLED SOE	12,586	98	HARDIN	26,128	244	PICKETT	4,968	55
BLOUNT	131,635	1,059	HAWKINS	57,889	502	POLK	16,566	139
BRADLEY	105,418	744	HAYWOOD	18,019	129	PUTNAM	79,829	537
CAMPBELL	42,056	327	HENDERSON	28,384	213	RHEA	34,128	270
CANNON	14,332	116	HENRY	32,852	310	ROANE	54,191	524
CARROLL	27,947	255	HICKMAN	24,527	179	ROBERTSON	72,431	284
CARTER	57,448	504	HOUSTON	8,421	74	RUTHERFORD	311,089	1,303
CHEATHAM	40,315	171	HUMPHREYS	18,525	162	SCOTT	21,912	159
CHESTER	17,731	131	JACKSON	11,428	97	SEQUATCHIE	15,506	123
CLAIBORNE	32,921	251	JEFFERSON	55,255	430	SEVIER	97,458	737
CLAY	7,672	74	JOHNSON	18,090	161	SHELBY	949,178	5,094
COCKE	37,652	284	KNOX	464,613	3,166	SMITH	19,928	135
COFFEE	55,438	332	LAKE	9,605	53	STEWART	13,764	108
CROCKETT	14,620	119	LAUDERDALE	27,188	171	SULLIVAN	160,039	1,602
CUMBERLAN	58,913	700	LAWRENCE	42,394	349	SUMNER	177,876	1,148
DAVIDSON	669,733	3,617	LEWIS	12,132	99	TIPTON	65,680	359
DECATUR	11,938	118	LINCOLN	34,983	209	TROUSDALE	8,368	54
DEKALB	19,040	149	LOUDON	52,058	560	UNICOI	18,451	186
DICKSON	51,393	258	MCMINN	53,717	451	UNION	19,410	135
DYER	38,301	282	MCNAIRY	26,950	226	VAN BUREN	5,446	46
FAYETTE	42,805	304	MACON	23,654	161	WARREN	40,832	309
FENTRESS	18,699	148	MADISON	100,337	679	WASHINGTON	134,588	1,006
FRANKLIN	41,594	322	MARION	28,776	231	WAYNE	16,797	137
GIBSON	51,695	426	MARSHALL	31,570	213	WEAKLEY	39,030	279
GILES	29,290	246	MAURY	82,752	570	WHITE	27,387	229
GRAINGER	23,357	177	MEIGS	12,445	101	WILLIAMSON	212,938	1,100
GREENE	70,858	614	MONROE	47,049	381	WILSON	128,805	801
GRUNDY	13,307	115	MONTGOMERY	194,363	766			
			MOORE	6,378	54			

SOURCE: TENNESSEE DEPARTMENT OF HEALTH, DIVISION OF POLICY, PLANNING AND ASSESSMENT,
OFFICE OF HEALTH STATISTICS.

10/22/2013

CHRISTIAN CARE CENTER OF BRISTOL



Variable	Sullivan County	State of Tennessee
Current Year (2014), Age 65+	33,325	981,984
Projected Year (2016), Age 65+*	35,249	1,042,071
Age 65+, % Change	5.8%	6.1%
Age 65+, % Total (PY)	22.0%	15.5%
CY, Total Population	158,975	6,588,698
PY, Total Population	160,039	6,710,579
Total Pop. % Change	0.7%	1.8%
TennCare Enrollees (Dec., 2013)	27,260	1,184,986
TennCare Enrollees as a % of Total Population(CY)	17.1%	18.0%
Median Age	44	38
Median Household Income ('08-'12)	\$40,025	\$44,140
Population % Below Poverty Level ('08-'12)	16.90%	17.3%

* Although they are not directly applicable to this application, the Guidelines for Growth nursing home bed need guidelines call for a 2 year planning horizon.

Sources: Population, Tenn. Dept. of Health; TennCare enrollment, TennCare Bureau website; Age, TACIR County Profiles website; Income and poverty level, Census Bureau QuickFacts.



April 4, 2014

RE: Christian Care Center of Bristol

TO WHOM IT MAY CONCERN:

We verify that the Estimated Construction Cost of \$8,964,440.00 is reasonable for this facility.

This proposed facility will be designed and constructed to comply with the Building Codes adopted by Tennessee State Health Department (Department of Tennessee Health Care Facilities) listed below:

- 2006 International Building Code
- 2006 International Fire Code
- 2006 International Mechanical Code
- 2006 International Plumbing Code
- 2006 International Fuel Gas Code
- 2006 NFPA 101 Life Safety Code
- 2008 NFPA 70 National Electric Code
- 2002 North Carolina Accessibility Code with 2004 Amendments
- 2010 Guidelines for Design and Construction of Health Care Facilities

Respectfully,

A handwritten signature in black ink that reads 'Ken Ross'.

Ken Ross

KR/pr



April 7, 2014

Bristol Real Estate Investors, LLC
2020 Northpark 2D
Johnson City, TN 37604

Dear Mr. Lewis:

We appreciate the favorable preliminary discussions in reference to the Bristol Real Estate Investors, LLC project regarding the construction of an 120-bed Skilled Nursing Facility at 2830 Highway 394, Bristol TN. Based on those discussions a proposed loan amount of \$12,000,000 is being considered, with an interest rate of 4.23%, subject to the standard restrictions and conditions of a Commitment Letter.

Please let me know if you have any questions. We appreciate this opportunity to be of assistance.

Regards,

A handwritten signature in blue ink, appearing to read "J. Kirk", with a long horizontal flourish extending to the right.

Jerry Kirk
Senior Vice President



April 10, 2014

Christian Care Center of Bristol, LLC
2020 Northpark, Suite 2D
Johnson City, TN 37604

Dear Mr. Lewis,

We have had favorable preliminary discussions with Christian Care Center of Bristol, LLC regarding an Operating Line of Credit for the operation of a 120-bed Skilled Nursing Facility at 2830 Highway 394, Bristol, TN 37602. Based on those discussions a proposed loan amount of \$1,000,000 is being considered, with an interest rate of Wall Street Journal Prime, subject to the standard restrictions and conditions of a Commitment Letter.

Sincerely,

Scarlett M. Dale
Carter County Bank a
Division of Bank of Tennessee

APR 15 14 PM 2:32

Dec-13

Assets

CASH-GENERAL ACCOUNT CAPITAL BANK	299,989.80
CASH-PAYROLL ACCOUNT FIRST TN	19,934.92
CASH-GENERAL ACCOUNT FIRST COMM BANK	18,174.64
CASH-TRUST ACCOUNT CHECKING	29,116.00
PETTY CASH	500.00
Total CASH	367,715.36

A/R-CREDIT BALANCES	(24,315.07)
ACCTS REC-MEDICAL REVIEW	5,464.05
ACCOUNTS RECEIVABLE	754,388.00
A/R-PART A SETTLEMENT	81,281.88
DUE FROM EMPLOYEES	(2,436.97)
MISC RECEIVABLE RATE INCREASE	542.78
Total ACCOUNTS RECEIVABLE	814,924.67

PREPAID INSURANCE	16,550.65
PREPAID OTHER	12,796.05
PREPD-COMCO LAST PYMT IN ADV-SCH 1	7,423.73
PREPD-COMCO LAST PYMT IN ADV-SCH 2	3,486.25
Total PREPAID EXPENSES	40,256.68

LOAN COSTS	9,531.47
PREOPENING COSTS	4,006.98
PRECERTIFICATION COSTS	232,939.47
UTILITY DEPOSITS	26,350.00
Total OTHER ASSETS	272,827.92

EQUIP,FURN & FIX	83,621.73
A/D EQUIP,FURN & FIX	(48,527.90)
VEHICLES	45,442.33
A/D VEHICLES	(18,934.30)
LEASEHOLD IMPROVEMENTS	23,859.36
A/D LEASEHOLD IMPROVEMENTS	(4,049.00)
EQUIP CAPITAL LEASE	528,793.51
A/D LEASED EQUIPMENT	(180,675.62)
Total DEPRECIABLE ASSETS	429,530.11

Total Assets	1,925,254.74
--------------	--------------

Dec-13

Liabilities

ACCTS PAYABLE-TRADE	213,180.81
NOTES PAY-LOC 1ST COM BANK-#15134	320,000.00
LEASE PAY-COMCO-SCH 1	78,865.36
LEASE PAY-COMCO-SCH 2	34,944.19
NOTES PAYABLE-FIRST TN (VAN)	8,279.83
ACCTS PAYABLE OTHER	11,086.35
LEASE PAYABLE-BUILDING	31,897.38
Total CURRENT PAYABLES	698,253.92

ACCRUED THER-MED REVIEW	4,123.74
Total ACCRUED EXPENSES	4,123.74

ACCRUED SALARIES	65,671.00
ACCRUED STATE UC TAX PAYABLE	1,776.00
ACCRUED FED UC TAX PAYABLE	393.00
ACCRUED FICA TAX-EMPLOYER	5,010.00
PAID TIME OFF	47,508.74
Total PAYROLL PAYABLES	120,358.74

ACCRUED F&E TAX	2,860.00
Total INSURANCE AND TAXES PAYABLE	2,860.00

INTEREST PAYABLE	289.32
PATIENT TRUST FUND	29,116.00
Total OTHER CURRENT LIABILITIES	29,405.32

LEASE PAY-COMCO-SCH 1	78,333.93
LEASE PAY-COMCO-SCH 2	61,762.74
NOTES PAYABLE-FIRST TN (VAN)	22,261.80
Total LONG TERM NOTES & LEASES PAYABLE	162,358.47

DUE TO CCMC	44,002.23
Total DUE TO RELATED PARTIES	44,002.23

DUE TO RCREI	581,178.16
DUE TO RCREI-DRAWS	95,000.00
Total OTHER LONG TERM LIABILITIES	676,178.16

Total Liabilities	1,737,540.58
-------------------	--------------

Equity

ADDL CONTRIBUTED CAPITAL-JRL	600.00
FUND/EQUITY-RETAINED EARNINGS	103,672.88
ADDL CONTRIBUTED CAPITAL-GTM	400.00
Total FUND/EQUITY	104,672.88

Equity	104,672.88
Year to Date Income	83,041.28

Total Liabilities and Equity	1,925,254.74
------------------------------	--------------

	Current Period Amount	Year To Date Amount

Revenue		
ROOM & BOARD REVENUE	478,060	5,159,554
BED HOLD REVENUE	560	920
DRUGS REVENUE	29,508	287,163
IV THERAPY REVENUE	5,568	13,617
MEDICAL SUPPLIES REVENUE	2,795	2,795
ENTERALS REVENUE	0	17,104
LABORATORY REVENUE	1,201	9,507
RADIOLOGY REVENUE	0	8,755
PHYSICAL THERAPY REVENUE	50,509	677,529
OCCUPATIONAL THERAPY REVENUE	46,461	711,811
SPEECH THERAPY REVENUE	36,545	377,745
OTHER REVENUE	541	7,622
CONTRACTUAL ADJUSTMENTS ROOM & BRD	82,760	971,734
CONTRACTUAL ADJUSTMENTS - BED HOLD	(19)	(19)
CONTRACTUAL ADJUSTMENTS-ANCILLARIES	(162,720)	(1,948,211)
Net Revenue	571,769	6,297,625
Expenses		
ADMINISTRATION EXPENSE	(77,011)	(879,751)
ANCILLARY EXPENSES	(24,185)	(224,209)
DIETARY EXPENSE	(41,376)	(451,033)
EMPLOYEE BENEFITS EXPENSE	(49,739)	(527,563)
HOUSEKEEPING EXPENSE	(10,749)	(143,947)
LAUNDRY EXPENSE	(3,414)	(45,584)
NURSING EXPENSE	(167,107)	(1,917,774)
OTHER EXPENSE	(20,301)	(227,374)
PLANT EXPENSE	(85,755)	(458,879)
PROPERTY EXPENSE	(60,303)	(743,786)
RECREATION EXPENSE	(4,700)	(59,669)
SOCIAL SERVICES EXPENSE	(7,798)	(86,144)
THERAPY EXPENSE	(32,405)	(448,471)
Total Expenses	(584,844)	(6,214,184)
Net Income	(13,075)	83,441
	=====	=====

Dec-13

Assets

CASH IN BANK-BB&T	5,281.74
CASH IN BANK-PAYROLL ACCOUNT	20,802.98
CASH-PEOPLES BANK OF EAST TN	265,918.13
CASH-TRUST ACCOUNT CHECKING	27,495.44
PETTY CASH	500.00
Total CASH	319,998.29
ACCTS REC-RESIDENT REFUNDS	22.50
AR-CREDIT BALANCES	(16,293.82)
AR-DUE FROM COMCO	401.43
ACCOUNTS RECEIVABLE-MEDICAL REVIEW	634.86
ACCOUNTS RECEIVABLE	618,052.07
A/R-PART A SETTLEMENT	19,156.48
DUE FROM EMPLOYEES	(7,969.33)
A/R-ENTERALS	5,323.09
Total ACCOUNTS RECEIVABLE	619,327.28
PREPAID INSURANCE	25,277.63
PREPAID OTHER	7,755.00
Total PREPAID EXPENSES	33,032.63
LOAN COSTS	2,918.22
Total OTHER ASSETS	2,918.22
BUILDING	24,658.59
ACCUM DEPREC-BUILDING	(8,183.43)
EQUIP,FURN & FIXTURES	391,775.96
ACCUM DEPREC-EQUIP,FURN & FIXTURES	(231,242.97)
VEHICLES	61,988.02
ACCUM DEPREC-VEHICLES	(33,625.18)
LEASEHOLD IMPROVEMENTS	175,088.46
ACCUM DEPREC-LEASEHOLD IMPROVEMENTS	(62,467.41)
EQUIP CAPITAL LEASE	182,659.81
ACCUM DEPREC-LEASED EQUIPMENT	(120,621.60)
Total DEPRECIABLE ASSETS	380,030.25
Total Assets	1,355,306.67

Dec-13

Liabilities

ACCTS PAY/TRADE	254,171.87
EQUIPMENT NOTE PAYABLE-BB&T	41,573.33
NOTE PAYABLE-PEOPLES BANK	391,727.00
ACCTS PAYABLE OTHER	17,711.42
LEASE PAYABLE-COMCO #1	6,669.31
LEASE PAYABLE-COMCO #2	12,280.74
LEASE PAYABLE-COMCO #3	1,312.02
NOTE PAYABLE-ALLY (3857)	3,452.81
NOTES PAYABLE-ALLY (0513)	3,480.96
ACCOUNTS PAYABLE-UNCLAIMED PROPERTY	370.01
BUILDING LEASE PAYABLE-SHPI	61,016.27
Total CURRENT PAYABLES	793,765.74

ACCRUED SALARIES	75,366.00
ACCRUED SUI	241.00
ACCRUED FUTA	449.00
ACCRUED FICA TAX-EMPLOYER	5,723.00
PAID TIME OFF	96,238.42
Total PAYROLL PAYABLES	178,017.42

REAL ESTATE TAXES	38,108.00
ACCRUED F&E TAX	9,735.00
Total INSURANCE AND TAXES PAYABLE	47,843.00

ACCRUED STATE LICENSURE FEES	18,541.67
INTEREST PAYABLE	1,059.82
PATIENT TRUST FUND	27,495.44
Total OTHER CURRENT LIABILITIES	47,096.93

LEASE PAYABLE-COMCO #1	8,460.77
LEASE PAYABLE-COMCO #2	18,076.70
COMCO LEASE PAYABLE #3	2,981.43
NOTES PAYABLE-ALLY (3857)	11,545.47
NOTES PAYABLE-ALLY (0513)	10,732.96
EQUIPMENT NOTES PAYABLE-BB&T	49,557.28
Total LONG TERM NOTES & LEASES PAYABLE	101,354.61

DUE TO CHRISTIAN INTERNATIONAL COLLEGE	4.56
DUE TO CARE CENTERS MANAGEMENT CONSULTING	44,344.79
Total DUE TO RELATED PARTIES	44,349.35

Total Liabilities	1,212,427.05
-------------------	--------------

Equity

FUND/EQUITY-CAPITAL STOCK	1,000.00
ADDL CONTRIBUTED CAPIT	40,000.00
RETAINED EARNINGS	(1,345.78)
Total FUND/EQUITY	39,654.22

Equity	39,654.22
--------	-----------

Run Date: 04-04-2014 16:30:51
Detail

Balance Sheet
SWEETWATER NURSING CENTER
December 31, 2013

Page: 3

Dec-13

Year to Date Income

103,225.40

Total Liabilities and Equity

1,355,306.67

	Current Period Amount	Year To Date Amount

Revenue		
ROOM & BOARD REVENUE	504,087	5,455,263
BED HOLD REVENUE	2,223	32,874
DRUGS REVENUE	24,812	217,751
IV THERAPY REVENUE	2,267	4,842
MEDICAL SUPPLIES REVENUE	(246)	15,652
ENTERALS REVENUE	2,549	22,174
LABORATORY REVENUE	1,613	8,694
RADIOLOGY REVENUE	1,448	8,699
PHYSICAL THERAPY REVENUE	72,612	783,431
OCCUPATIONAL THERAPY REVENUE	58,622	606,878
SPEECH THERAPY REVENUE	24,229	299,211
OTHER REVENUE	2,535	23,105
CONTRACTUAL ADJUSTMENTS ROOM & BRD	50,571	431,549
CONTRACTUAL ADJUSTMENTS - BED HOLD	(326)	(3,911)
CONTRACTUAL ADJUSTMENTS-ANCILLARIES	(177,370)	(1,807,961)
Net Revenue	569,625	6,098,252
Expenses		
ADMINISTRATION EXPENSE	(72,599)	(891,458)
ANCILLARY EXPENSES	(22,258)	(176,845)
DIETARY EXPENSE	(36,259)	(373,578)
EMPLOYEE BENEFITS EXPENSE	(77,852)	(637,803)
HOUSEKEEPING EXPENSE	(12,973)	(151,392)
LAUNDRY EXPENSE	(2,959)	(29,103)
NURSING EXPENSE	(197,531)	(2,057,706)
OTHER EXPENSE	(20,181)	(241,305)
PLANT EXPENSE	(29,572)	(339,791)
PROPERTY EXPENSE	(74,367)	(585,812)
RECREATION EXPENSE	(4,907)	(52,337)
SOCIAL SERVICES EXPENSE	(8,706)	(77,911)
THERAPY EXPENSE	(40,499)	(411,539)
Total Expenses	(600,661)	(6,026,581)
Net Income	(31,036)	71,670
=====		

Christian Care Center of Bristol	
Anticipated Contracted Health Care Provider Services	Anticipated Contracted Health Care Provider Name
Hospital and Transfer Agreement	Bristol Regional Medical Center
Hospital and Transfer Agreement	Holston Valley Medical Center
Hospital and Transfer Agreement	Johnson City Medical Center
Hospital and Transfer Agreement	Indian Path Medical Center
Hospital and Transfer Agreement	Select Specialty Hospital
Hospital and Transfer Agreement	Franklin Woods Hospital
Hospital and Transfer Agreement	Sycamore Shoals Hospital
Pharmacy Services	PNS Pharmacy
Contracted In-House Therapy Services	Rehab Solutions Therapy
Contracted Mobile X-Ray Services	MMDS Mobile Medical
Hospice Services and Transfer Agreement	Wellmont Hospice House
Hospice Services	Amedysis Hospice
Contracted Lab Services	Bristol Regional Medical Lab Services
Contracted Mobile Dental Services	Marquee Mobile Dental
Contracted Mobile Optometry Services	On Site Eye Care
Contracted Mobile Podiatry Services	On Site Podiatry
Contracted Physician Services	IPC - Hospitalist - Physician Services
Contracted Physician Services and Medical Director	Wellmont Hospitalists- Physician Services

Board for Licensing Health Care Facilities



State of

Tennessee

License No. 0000000260

No. Beds 0120

DEPARTMENT OF HEALTH

This is to certify, that a license is hereby granted by the State Department of Health to

to conduct

CHRISTIAN CARE CENTER OF BRISTOL, LLC

and maintain a *Residing Home* CHRISTIAN CARE CENTER OF BRISTOL

Located at 261 NORTH STREET, BRISTOL

County of SULLIVAN, Tennessee.

This license shall expire MAY 07, 2014 and is subject to the provisions of Chapter 11, Tennessee Code Annotated. This license shall not be assignable or transferable, and shall be subject to revocation at any time by the State Department of Health, for failure to comply with the laws of the State of Tennessee or the rules and regulations of the State Department of Health issued thereunder.

In Witness Whereof, we have hereunto set our hand and seal of the State

this 1ST day of OCTOBER, 2013.



By *Lucius J. Davis, MPH*
DIRECTOR, DIVISION OF HEALTH CARE FACILITIES

By *John J. Davis, III*
COMMISSIONER

Board for Licensing Health Care Facilities



State of Tennessee

License No. 0000000260

No. Beds 0120

DEPARTMENT OF HEALTH

This is to certify, that a license is hereby granted by the State Department of Health to

CHRISTIAN CARE CENTER OF BRISTOL, LLC to conduct

and maintain a Nursing Home CHRISTIAN CARE CENTER OF BRISTOL

Located at 261 NORTH STREET, BRISTOL

County of SULLIVAN, Tennessee.

This license shall expire MAY 07, 2015 *and is subject to the provisions of Chapter 11, Tennessee Code Annotated. This license shall not be assignable or transferable, and shall be subject to revocation at any time by the State Department of Health, for failure to comply with the laws of the State of Tennessee or the rules and regulations of the State Department of Health issued thereunder.*



In Witness Whereof, we have hereunto set our hand and seal of the State

this 7TH day of MAY, 2014.

By Vincent J. Davis, MPH
DIRECTOR, DIVISION OF HEALTH CARE FACILITIES

By [Signature]
COMMISSIONER

APR 15 14 PM 12:32

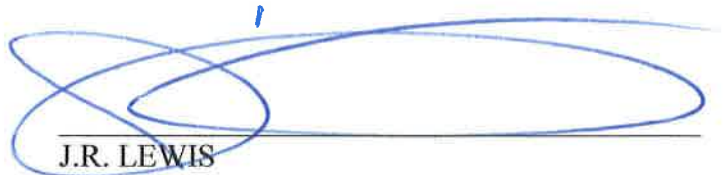
AFFIDAVIT

APR 15 '14 PM 12:28

STATE OF FLORIDA

COUNTY OF PINELLAS

J.R. LEWIS, being first duly sworn, says that he is the applicant named in this application or its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.


J.R. LEWIS

CHIEF MANAGER, CHRISTIAN CARE
CENTER OF BRISTOL, LLC, APPLICANT

Sworn to and subscribed before me this 14th day of April, 2014 a Notary Public in and for the above written county and state.


NOTARY PUBLIC

My commission expires May 24, 2014





State of Tennessee
Health Services and Development Agency

Andrew Jackson, 9th Floor, 502 Deaderick Street, Nashville, TN 37243
www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

May 1, 2014

Jerry W. Taylor, Esq.
Stites & Harbison, PLLC
SunTrust Plaza, Suite 800
401 Commerce Street
Nashville, TN 37219

RE: Certificate of Need Application -- Christian Care Center of Bristol - CN1404-012

Dear Mr. Taylor:

This is to acknowledge the receipt of supplemental information to your application for a Certificate of Need for the relocation and replacement of a 120* bed nursing home from 261 North Street, Bristol (Sullivan County) to 2830 Highway 394, Bristol (Sullivan County), Tennessee. The estimated project cost is \$11,953,747.00. *These beds are not subject to the 2013-2014 Nursing Home Bed Pool.

Please be advised that your application is now considered to be complete by this office. Your application is being forwarded to the Tennessee Department of Health and/or its representative for review.

In accordance with Tennessee Code Annotated, §68-11-1601, et seq., as amended by Public Chapter 780, the 60-day review cycle for this project will begin on May 1, 2014. The first sixty (60) days of the cycle are assigned to the Department of Health, during which time a public hearing may be held on your application. You will be contacted by a representative from this Agency to establish the date, time and place of the hearing should one be requested. At the end of the sixty (60) day period, a written report from the Department of Health or its representative will be forwarded to this office for Agency review within the thirty (30)-day period immediately following. You will receive a copy of their findings. The Health Services and Development Agency will review your application on July 23, 2014.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- (1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
- (2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have questions or require additional information, please contact me.

Sincerely,



Melanie M. Hill
Executive Director

MMH:mab

cc: Trent Sansing, CON Director, Division of Health Statistics



State of Tennessee

Health Services and Development Agency

Andrew Jackson, 9th Floor, 502 Deaderick Street, Nashville, TN 37243

www.tn.gov/hsda

Phone: 615-741-2364

Fax: 615-741-9884

MEMORANDUM

TO: Trent Sansing, CON Director
Office of Policy, Planning and Assessment
Division of Health Statistics
Andrew Johnson Tower, 2nd Floor
710 James Robertson Parkway
Nashville, Tennessee 37243

FROM: Melanie M. Hill
Executive Director

DATE: May 1, 2014

RE: Certificate of Need Application
Christian Care Center of Bristol - CN1404-012

Please find enclosed an application for a Certificate of Need for the above-referenced project.

This application has undergone initial review by this office and has been deemed complete. It is being forwarded to your agency for a sixty (60) day review period to begin on May 1, 2014 and end on July 1, 2014.

Should there be any questions regarding this application or the review cycle, please contact this office.

MMH:mab

Enclosure

cc: Jerry W. Taylor, Esq.



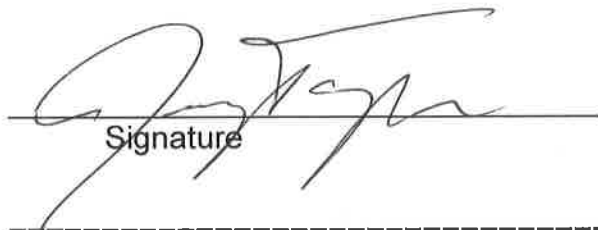
LETTER OF INTENT TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Bristol Herald Courier, which is a newspaper of general circulation in Sullivan County, Tennessee, on or before April 10, 2014 for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that Christian Care Center of Bristol, owned and managed by Christian Care Center of Bristol, LLC, which will have a Management Consulting and Services Agreement with Care Centers Management Consulting, Inc., intends to file an application for a Certificate of Need for the construction of a replacement facility and the relocation of its 120 bed nursing home. The nursing home is currently located at 261 North Street, Bristol, Sullivan County, Tennessee 37620. The site for the proposed replacement facility is an unimproved lot located at 2830 Highway 394, Bristol, Sullivan County, Tennessee 37620. Christian Care Center of Bristol is and will be licensed as a nursing home by the Tennessee Board for Licensing Health Care Facilities. No additional beds, change in services or major medical equipment are involved in this project. The estimated project cost is \$12,000,000.

The anticipated date of filing the application is April 15, 2014.

The contact person for this project is Jerry W. Taylor, Attorney, who may be reached at: Stites & Harbison, PLLC, SunTrust Plaza, Suite 800, 401 Commerce Street, Suite 800, Nashville, Tennessee, 37219, 615-782-2228, jerry.taylor@stites.com.


Signature

4-10-14
Date

=====

The published Letter of Intent contains the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

=====

ORIGINAL SUPPLEMENTAL-1

Christian Care Ctr. of Bristol

CN1404-012

SUPPLEMENTAL RESPONSES

CERTIFICATE OF NEED APPLICATION

FOR

CHRISTIAN CARE CENTER OF BRISTOL

**Construction of a Replacement Facility and the
Relocation of 120 Licensed Nursing Home Beds**

Sullivan County, Tennessee

Project No. CN1404-012

April 24, 2014

Contact Person:

**Jerry W. Taylor, Esq.
Stites & Harbison, PLLC
401 Commerce Street, Suite 800
Nashville, Tennessee 37219
615-782-2228**

1. Section A, Applicant Profile, Item 6

The response to this item is noted. Please provide a fully executed Option to Lease that at least includes the expected term of the lease and the anticipated lease payments.

Instead of entering into an option to lease, the parties have executed a binding lease agreement. A copy of the Lease is attached as part of Attachment A, 6 to the application. Under section 3 of the Lease the term is 10 years, renewable for an additional 10 years. The term begins upon occupancy of the premises as a SNF by the applicant, so if the CON is not approved the lease would not go into effect. This lease agreement gives the applicant legal entitlement to the property if the CON is approved.

In accordance with section 4 of the Lease, the rental amount is not a fixed amount which is set in advance. Instead, it is an amount that is intended to cover the debt service for the acquisition of the site, the construction of the facility and certain other capital costs. The Lease describes the methodology for determining the amount of the lease payments, but the exact amount cannot be definitively determined at this time. Since the lessor company and the lessee company have identical ownership, this is a logical and appropriate lease rate structure.

Please provide a list of nursing homes owned by the owners of Christian Care Center of Bristol, LLC.

J. R. Lewis (Tennessee Facilities):

Christian Care Center of Bristol, LLC
Christian Care Center of Bedford County, LLC
Christian Care Center of Cheatham County, LLC
Christian Care Center of Johnson City, Inc.
Christian Care Center of Rutherford County, LLC
Christian Care Center of Springfield, LLC
Lakebridge Medical Investors, LLC
Roan Highlands Medical Investors, LLC
Sweetwater Nursing Center, Inc.

Grant T. Miller (Tennessee Facilities):

Christian Care Center of Bristol, LLC
Christian Care Center of Johnson City, Inc.
Christian Care Center of Rutherford County, LLC
Sweetwater Nursing Center, Inc.

What is the square footage of the former facility?

The 120 bed Tennessee-licensed facility to be vacated is 37,500 square feet, to be replaced with a new 52,732 square foot building.

The entire building to be vacated housed a total of 240 beds (120 beds licensed in Tennessee and 120 beds licensed in Virginia) and consists of approximately 64,000 gross square feet.

Please explain if Medicare and Medicaid certification was terminated by CMS at the previously licensed facility due to physical plant concerns.

The termination associated with the prior owner appears to have been based upon patient care deficiencies and policy infractions, not physical plant issues. Nevertheless, the proposed new replacement facility will provide an improved environment for patient safety and comfort, and for the provision of enhanced services.

2. Section B, Project Description, Item II.A.

It is noted the applicant is proposing 36 private beds and 84 semi-private beds. It appears the current trend in Tennessee is to construct nursing homes with private beds only. Please clarify why a majority of beds for the proposed facility will be semi-private.

The significantly smaller facility to be vacated consisted of all semiprivate rooms, yet in 2012 maintained a 92% occupancy rate. The applicant's evaluation of the Sullivan County needs and preferences leads it to believe that the combination of larger semiprivate accommodations plus the addition of a 36 bed (30%) complement of private beds will well serve the preferences of Sullivan County while achieving an effort to implement health services in an efficient, cost-effective manner.

The proposed replacement facility will greatly enhance the options for those desiring a bed in a private room. Currently, only 5% of service area beds are in private rooms (48/995). Not taking into account the 22 private beds at Indian Path, which beds are not generally available to patients who are not stepping down from a hospital stay, only 2.6% of the service area beds are in private rooms (26/973). The proposed new replacement facility will have 30% of its beds in private rooms (36/120). The private beds in this one facility alone (36) will equate to 75% of the number of private beds in the entire county currently (48), including the step down beds at Indian Path.

3. Section B, Project Description, Item II.D.

It is noted the existing facility is located on the border of Tennessee and Virginia, with about half of the building in each state. Please clarify the total number of licensed beds in the existing facility and the number of licensed beds assigned to each state.

The Tennessee facility consisting of 37,500 square feet is licensed for 120 skilled beds. Connected to that Tennessee facility is a 26,500 square foot structure located in Virginia that formerly served as a 120-bed licensed Virginia nursing home. The Virginia license has been removed from that location and relocated to Wythe County, Virginia. The Virginia license is in no way associated with the applicant.

4. Section C, Need, Item 4.A.

The population chart in Attachment C, I, Need, 4 is noted. However, please revise the chart using the latest population data from the following Department of Health, Office of Health Statistics Web-site:
<http://health.state.tn.us/statistics/CertNeed.shtml>

A demographics table utilizing the requested data source is attached following this response.

Variable	Sullivan County	State of Tennessee
Current Year (2014), Age 65+	33,325	981,984
Projected Year (2016), Age 65+*	35,249	1,042,071
Age 65+, % Change	5.8%	6.1%
Age 65+, % Total (PY)	22.0%	15.5%
CY, Total Population	158,975	6,588,698
PY, Total Population	160,039	6,710,579
Total Pop. % Change	0.7%	1.8%
TennCare Enrollees (Dec., 2013)	27,260	1,184,986
TennCare Enrollees as a % of Total Population(CY)	17.1%	18.0%
Median Age	44	38
Median Household Income ('08-'12)	\$40,025	\$44,140
Population % Below Poverty Level ('08-'12)	16.90%	17.3%

* Although they are not directly applicable to this application, the Guidelines for Growth nursing home bed need guidelines call for a 2 year planning horizon.

Sources: Population, <http://health.state.tn.us/statistics/CertNeed.shtml>; TennCare enrollment, TennCare Bureau website; Age, TACIR County Profiles website; Income and poverty level, Census Bureau QuickFacts.

5. Section C., Need, Item 5

Please complete the chart below breaking out the bed accommodation mix by nursing home facility in the Sullivan County service area.

Service Area Patient Accommodation Mix-Most Recent JAR Period

Nursing Home	Licensed Beds	Total Private Beds	Total Semi-Private Beds	Ward Beds
Bristol Nursing Home (2011)*	120	4	104	12
Brookhaven Manor	180	0	180	0
Greystone Healthcare Center	165	7	158	0
Holston Manor	204	5	196	3
Indian Path Medical Ctr. T.C.U.	22	22	0	0
The Cambridge House	130	4	126	0
The Wexford House	174	6	168	0
Service Area Totals	995	48	932	15
<i>Proposed Project</i>	<i>120</i>	<i>36</i>	<i>84</i>	<i>0</i>

* There is no 2012 JAR for BNH posted on the Department of Health website.

The proposed replacement facility will greatly enhance the options for those desiring a bed in a private room. Currently, only 5% of service area beds are in private rooms (48/995). Not taking into account the 22 private beds at Indian Path, which beds are not generally available to patients who are not stepping down from a hospital stay, only 2.6% of the service area beds are in private rooms (26/973). The proposed new replacement facility will have 30% of its beds in private rooms (36/120). The private beds in this one facility alone (36) will equate to 75% of the number of private beds in the entire county currently (48), including the step down beds at Indian Path.

Please discuss how the Long-term Care Community Choices Act of 2008 has impacted nursing home utilization rates in Sullivan County for years 2010, 2011, and 2012. The Long-term Care Community Choices Act of 2008 allows TennCare to pay for more community and home-based services for seniors such as household assistance, home delivered meals, personal hygiene assistance, adult day care centers and respite.

The county-wide nursing home utilization rates have remained steady between 2010-2012; they were 88% in 2010, rose to 90% in 2011, and dropped back to 88% in 2012 (please see Attachment C, I, Need, 3 a, (1) to the application). It is possible the utilization rates would have increased in the absence of the LTCCA, but such a conclusion would be speculation. In any event, county-wide utilization of nursing home beds and services is very healthy in Sullivan County.

6. Section C, Need, Item 6

Your response to this item is noted.

Please complete the following table:

Christian Care Center of Bristol, LLC Projected Utilization

Year	Licensed Beds	*Medicare certified beds	SNF Medicare ADC	SNF Medicaid ADC	SNF Other ADC	NF ADC	Total ADC	Licensed Occupancy %
Yr. 1	120	120	11	0	6	43	60	50%
Yr. 2	120	120	21	0	10	79	110	92%

*** Includes Medicare/Medicaid certified beds**

7. Section C, Economic Feasibility, Item 2

The funding letters for the proposed project is noted. However, please identify the term of the loan, and any anticipated restrictions or conditions for both loans.

Letters of clarification from Renasant Bank and Carter County Bank are attached following this response.



APR 24 14 41:39

SUPPLEMENTAL

April 23, 2014

Bristol Real Estate Investors, LLC
2020 Northpark 2D
Johnson City, TN 37604

Dear Mr. Lewis:

We appreciate the favorable preliminary discussions in reference to the Bristol Real Estate Investors, LLC project regarding the construction of an 120-bed Skilled Nursing Facility at 2830 Highway 394, Bristol TN. Based on those discussions a proposed loan amount of \$12,000,000 with a 20 year amortization is being considered, with an interest rate of 4.23%. Commitment is subject to the issuance of a Replacement Facility Certificate of Need and the standard restrictions and conditions of a Commitment Letter.

Please let me know if you have any questions. We appreciate this opportunity to be of assistance.

Regards,

A handwritten signature in blue ink, appearing to read "Jerry Kirk", written over a horizontal line.

Jerry Kirk
Senior Vice President

SUPPLEMENTAL



April 10, 2014

Christian Care Center of Bristol, LLC
2020 Northpark, Suite 2D
Johnson City, TN 37604

Dear Mr. Lewis,

We have had favorable preliminary discussions with Christian Care Center of Bristol, LLC regarding an one (1) year renewable Operating Line of Credit for the operation of a 120-bed Skilled Nursing Facility at 2830 Highway 394, Bristol, TN 37602. Based on those discussions a proposed loan amount of \$1,000,000 is being considered, with an interest rate of Wall Street Journal Prime, subject to the issuance of a Replacement Facility Certificate of Need and the standard restrictions and conditions of a Commitment Letter.

Sincerely,

Scarlett M. Dale
Carter County Bank a
Division of Bank of Tennessee

APR 24 '14 AM 11:37

SUPPLEMENTAL

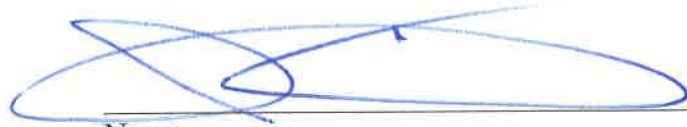
AFFIDAVIT

STATE OF FLORIDA

COUNTY OF PINELLAS

NAME OF FACILITY: Christian Care Center of Bristol

I, J. R. Lewis, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.


Name

Chief Manager
Title

Sworn to and subscribed before me this the 22nd day of April, 2014, a Notary Public in and for Pinellas County, Florida.


Notary Public

My Commission Expires: May 24, 2014

